FINANCIALIZATION OF STATE AND HOUSEHOLD INDEBTEDNESS: THE CASE OF TURKEY

A THESIS SUBMITTED TO THE
GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
MIDDLE EAST TECHNICAL UNIVERSITY

BY

GİZEM SEMA

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF MASTER OF SCIENCE
IN
THE DEPARTMENT OF POLITICAL SCIENCE AND PUBLIC

ADMINISTRATION

SEPTEMBER 2017

Approval of the Graduate School of Social Sciences

Prof. Dr. Tülin Gençöz
Director

I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Science.

Prof. Dr. Ayşe Ayata
Head of Department

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Science.

Assoc. Prof. Dr. Galip Yalman
Supervisor

Examining Committee Members

Prof. Dr. Örsan Akbulut	(TODAİE)	
Assoc. Prof. Dr. Galip Yalman	(METU, ADM)	
Assist. Prof. Dr. Aylin Topal	(METU, ADM)	

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Name, Last name: Gizem, Sema

Signature :

ABSTRACT

FINANCIALIZATION OF STATE AND HOUSEHOLD INDEBTEDNESS: THE CASE OF TURKEY

Sema, Gizem

M.S., Department of Political Science and Public Administration

Supervisor: Associate Prof. Dr. Galip Yalman

September 2017, 157 pages

The thesis analyzes the financialization in developing countries over the last decade by drawing on the case of Turkey. It addresses the question of how consumer credit has become a part of daily life of wage earners in the age of financialization in Turkey. It focuses on the nature and role of household indebtedness in contemporary capitalism and the current financial and economic crises in Turkey. The theoretical framework based on a critical political economy approach and elaborated macroeconomic, political, institutional and historical environment in which the capital accumulation has taken place. By considering the specific characteristics of Turkey as a developing country, liberalization and integration into the world economy shaped Turkey's financial institutions and have an impact upon its financialization process. Overall findings of this study indicate that state was the driving force behind financialization in the late 1980s and 1990s and its role continues for in the 2000s. However, it should also be underlined that financialization in Turkey acquired a new characteristic in the post-2001 since with the impact of the deregulation of the financial sector, proliferation of new financial instruments and liberalization of international capital flows, the role of finance in economic and social life has not only increased but also deepened.

Keywords: Liberalization, Financialization, Crisis, Labor, Indebtedness.

ÖZ

DEVLETİN FİNANSALLAŞMASI VE HANEHALKI BORÇLANDIRILMASI: TÜRKİYE ÖRNEĞİ

Sema, Gizem
Yüksek Lisans, Siyaset Bilimi ve Kamu Yönetimi Bölümü
Tez Yöneticisi: Doç. Dr. Galip Yalman

Eylül 2017, 157 sayfa

Bu tez, gelişmekte olan ülkelerin finansallaşma sürecini Türkiye örneği üzerinden analiz ediyor. Temel olarak Türkiye'de finansallaşma çağında, tüketici kredisinin ücretli çalışanların günlük yaşantısının bir parçası haline gelmesi sorusu üzerinde duruyor. Bunu yaparken günümüz kapitalizminde hanehalkı borçluluğunun doğası ve rolü ile Türkiye'deki mevcut finansal ve ekonomik krizler üzerine odaklanıyor. Eleştirel ekonomi politik yaklaşıma dayanan kuramsal çerçeve, sermaye birikiminin gerçekleştiği makroekonomik, politik, kurumsal ve tarihsel faktörleri ele alıyor. Türkiye'nin geç kapitalistleşmiş ülke olduğu göz önüne alındığında, liberalleşme ve dünya ekonomisine entegrasyon süreci, Türkiye'nin finansallaşma sürecini ve finansal kurumlarını önemli ölçüde şekillendirmiştir. Bu çalışmanın genel bulguları, Türkiye'de devletin, 1980'lerde ve 1990'ların sonunda finansallaşmanın arkasındaki itici güç olduğu ve 2000'li yıllarda bu rolünün devam ettiğini göstermektedir. Diğer yandan, 2001 sonrası dönemde, finansallaşma finansın rolü toplumsal hayatta sadece artmamış ayrıca derinleşmiştir.

Anahtar Kelimeler: Liberalizasyon, Finansallaşma, Kriz, Emek, Borçluluk.

To my family, friends and academicians who fight for peace

ACKNOWLEDGMENTS

First of all, I am grateful to the supervisor of this thesis, Galip Yalman, for his suggestions, remarks, encouragements and criticisms on the text.

Also, I have to stress that, I am indebted to Örsan Akbulut, Aylin Topal for my theoretical and political problematizations. That is why, I have to utter their names as well.

Lastly, I am thankful for the support of my family for the writing process of this thesis and the development of my-self.

TABLE OF CONTENTS

LIST OF TABLES

TABLES

LIST OF FIGURES

FIGURES

ABBREVIATIONS

AKP	Adalet ve Kalkınma Partisi (Justice and Development Party)
BRSA	Banking Regulation and Supervision Agency
BW	Bretton Woods
CB	Central Bank of the Republic of Turkey
CBRT	Central Bank of Republic of Turkey
CDO	Collateralized Debt Obligation
CDS	Credit Default Swap
CMB	Capital Markets Board of Turkey CPI – Consumer Price Index
EU	European Union
FDI	Foreign Direct Investment
FX	Foreign Exchange
GDI	Government Debt Instruments
GDP	Gross Domestic Product
GNP	Gross National Product
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
ISE	Istanbul Stock Exchange
IT	Inflation Targeting
MNC	Multinational Corporation
NFC	Non-Financial Corporation

OECD	Organisation for Economic Co-operation and Development
PSBR	Public Sector Borrowing Requirement
SDIF	Savings Deposit and Insurance Fund SEE – State Economic Enterprise
TL	Turkish Lira
TSEP	Transition to the Strong Economy Program
TÜSİAD	Turkish Industry and Business Association
UK	United Kingdom
USA	United States of America
WB	World Bank
WST	World Systems Theories

CHAPTER 1

INTRODUCTION

Neoliberalism, globalization and financialization are the most well-known trio which have been commonly characterized changes in capitalism over the last four decades. Although a lot has been written on the neoliberalism and globalization, much less attention has been given to the financialization (Epstein, 2005:1). While finance has been dominating our daily life in the last decades, the engaging with finance and/ or financial news are uneasy since as a world of terms, it has raised rich set of technical terms such as "credit default swap" (CDS), "collateralized debt obligations" (CDO), "special purpose vehicles" (SPV), "yield of foreign exchange (FX), "shadow banking "and so on (Güngen, 2012: 1). Therefore, the living in financial times necessitates to be familiar with such technical terms to understand what is going on with the economy as a whole. The main subject of this work is financial expansion, called as financialization in critical works. The current usage of the term "financialization" owes much to the work of Kevin Phillips (Foster,2007) defining financialization as a prolonged split between the divergent real and financial economies. In the same year Giovanni Arrighi used the concept in an analysis of international hegemonic transition in The Long Twentieth Century (Foster, 2007). Especially in the aftermath of the international financial crisis of 2007-2009, financialization consolidated its place and has been brought to prominence.

Even before the current crisis, the conventional theoretical and policy debates have focused heavily on the notion that finance mobilizes and allocates resources efficiently and so drastically reduces systemic risks. Such an analysis brings not only finance fore but also financial markets are assessed in terms of their importance and efficiency in supplying their service to the economy. Hence, neoclassical analysis does not move much beyond the discussion of how much and how well they channel saving to investment. However, what we observed is that as Saad-Filho (2011) pointed out, “the expected acceleration of growth through capital account liberalization and financial expansion fail to materialize in most countries, but finance-induced crises have become more frequent”. What is inherent in this crisis, as McNally (2009) indicated, this crisis overlapped with a breakdown in the forms of value-measurement, triggering intense struggles between the capitalist value form and popular life-value.

On the other hand, alternative schools of thought present a more complex view of the relation between finance and real economy because they have paid attention to the rise of finance in the economy, indicating its historical evolution and its consequences. Put differently, the concepts point out the process in which financial transactions became more important for both global and national economies. More importantly, these transactions have an impact on the organization of not only economic activity but also socio-political sphere and everyday life. In this respect, financialization is a structural feature of accumulation and as a way of social reproduction under neoliberalism, rather than a distortion of a so-called ‘pure capitalism’. Consequently, I will try to dissociate myself from considering economics just a simple mechanism of inputs and outputs relation. Corresponding to the perspective above, financialization will be grasped within the objective structural character of the capitalist mode of production, taking into account the historical processes. Only this way, we can find out the economic categories inherent social content i.e. the class and power dimension. Also, we can point out the integrity of political, social, cultural and economic spheres which are regarded deceivingly as isolated and independent of each other.

The work consists of three parts. In the first part, I give a theoretical framework by an analyzing particular aspect of financialization in line with the perspective outlined very shortly above. It will be focused on different approaches to financialization literatures which range from Marxist debate to Post-Keynesian approach. The second part focus on the broadening and deepening role of finance in Turkey from an empirical point of view. In this part, I firstly draw attention to the role of the state at the capitalist accumulation process and its role over transforming growth path. As we will see that this growth regime strives to deepen and expand market rule and commodification, also economy become highly depended on capital flows. In the remaining part, I will pay attention to the root causes of growing levels of structural inequalities and poverty. Hence, the third part how and why the finance penetrates into the daily lives of households in Turkey, as a result of the expansion of debt-led financial forms of capital accumulation.

CHAPTER 2

THEORETICAL REFLEXION ON THE CONCEPT OF FINANCIALIZATION

Financialization is almost everywhere defined in the words of Epstein (2005) as: growing financial assets of Non-Financial Corporations (NFCs), the climbing amount of financial assets relative to Gross Domestic Product (GDP), and the rising levels of private indebtedness (both corporations and households) are features of financialization. This definition shows the apparent diversity in research agenda which make it difficult to define the concept. For that reason, Orhangazi (2008:3) claims that “financialization has evolved into a concept similar to globalization: a widely used term without a clear agreed-upon definition.” An exhaustive overview of the financialization literature is beyond the scope of this study. Instead, it focusses on a critical review of selected core texts that shed light on the origins of the financialization from critical perspective. The review of financialization literature is critical since it allows a coherent analysis of the dynamics behind key aspects of the penetration of finance into ordinary lives of the households.

The earliest analyses of financialization came from Magdoff and Sweezy in the 1970s without using the term of financialization. They argued that the origins of financial expansion should be traced to the rise of “monopoly capitalism” which emerged at the beginning of the 20th century. The lack of effective demand in monopoly capitalism and the stagnation tendency would lead to the formation of huge financial superstructure, bringing about inherent instability and disastrous effects for economy. Brenner also developed this line of argumentation by linking the stagnation in productive sphere to the theory of the tendency of the rate of profit to fall. Overcapacity in production while intensified the competition between large corporations, it also led to a declining rate of profit. Financialization and credit expansion emerged as a response of these, but they just postpone, not prevent the

crisis.

Arrighi made important contribution into this issue with reference to Krippner's findings on U.S. corporate profits. As he argues, "… higher-cost incumbent firms responded to falling returns by diverting a growing proportion of their incoming cash flows from investment in fixed capital and commodities to liquidity and accumulation through financial channels." (Arrighi cited in Güngen, 2012: 37). According to Arrighi (2003), the most important feature of financial expansion epoch with reference to Brenner, is this process of financialization of capital is the sign of long downturn. In order to make more concrete his argument regarding financial expansion, he focused especially on the collapse of the post-war international monetary order and growing role of public debt. Moreover, he figures especially out the transformation of the U.S. from the provider of liquidity for trade and exchange in world market to the top indebted country.

It is clear that financialization was used as an explanandum which means a term for characterization of the end of systemic cycle of accumulation or end of an era, being characterized by financial expansion following the material expansion (Arrighi, 1994). That is, it was immanently related to the general formula of capital and the expanded reproduction of capitalist relations of production. Another approach that is dealt with macroeconomic measures is regulation theory arguing that the 'accumulation regime' (macroeconomic dynamics as the determinant of growth) is embedded in an institutional setting. Regulation-ist scholars have been trying to explain how the capitalist mode of production can be stabilized over limited periods despite its inherent contradictions. On the other hand, Post-Keynesian scholars like Stockhammer, Crotty, Skott and Ryoo focus also on macroeconomic consequences of financialization and particularly emphasize its negative effects on production, accumulation and wealth. The common characteristic of these studied is their emphasis on decreasing growth rates because of the changes in the internal power structure of the firm (shareholder revolution), the growth of financial profits at the expense of industrial investments, the re-emerge of rentier and in return, rising unemployment and income inequality.

However, scholars like Lapavitsas, Dos Santos, while drawing on classical Marxism, argued that financialization symbolizes a systemic transformation of mature capitalist economies. Thus, the understanding of the recent expansion in finance is only possible by incorporating a multidimensional analysis of the many transformations that capitalism has been undergoing. This transformation is characterized by an increased financialization of nonfinancial corporations, households and the changing role of banks. An analysis of these three levels can explain a systemic transformation of advanced capitalism and helps specify the mediations between production and finance.

Most of the literature has focused on the impact of an evolving financial sector on advanced economies, although financialization has become a global process and taken developing countries under its influence. I think that this is important since much of the analysis has focused on certain economically developed nations such as US, UK and so on. However, the law of value works itself enact on the plane of total capital and also the level of the world-market as the form of world-money (McNally, 2009: 10). For that reason, before concluding this chapter, I will pay attention to a discussion of financialization of developing countries, especially focusing on the process of the integration of developing countries to financial systems.

2.1 Financialization as a New Historical Period

Researchers who deal with financialization as a research agenda and/or researcher who try to explain transformations in the world economy or advanced economies by applying this concept point out that the beginning date of the financialization is determined by various political- economic transformations. As well-known, it is stated that capitalism has started to be financed since late 1970s and 1980s. Nearly all analyses of financialization posit a “then” versus “now” distinction (Mader, 2014: 2), and so specifically historical approach is shared by Monthly Review scholars, World System theorists and Regulation School. All three share the view that financialization has proven to be a significant new component of the most recent economic, institutional, regulatory configuration, forming the financialization of capitalism. Therefore, it raises the question whether or not has capitalism entered a new stage?

The earliest analyses of financialization goes back the insights advanced by Magdoff and Sweezy in the 1970s. They focused on the underlying reasons behind the growing dominance of finance since 1970s, without using the term of financialization. In the Monopoly Capital, Baran and Sweezy argued that the origins of financial expansion should be followed up the rise of monopoly capitalism.[1] From the perspective of Monthly Review, the normal state of the monopolistic capitalist economy is to be overwhelmed by surplus. The surplus would be absorbed, either in production or in consumption, otherwise result in stagnation of the productive sector because less investment resulted in lower economic growth. When Baran and Sweezy wrote Monopoly Capital in the early 1960s, they pointed to some measures taken to overcome the stagnation such as civilian and huge military spending, a second great wave of automobilization, investment in real estate.

However, with the reemergence of economic stagnation in the 1970s, these measures proved to be successful only in the short-run and did not eliminate the deep-rooted reasons of slowdowns inherit in the economy. Sweezy observed that financial sector had achieved a high degree of independence and sit on top of the underlying production system, which is emerged as symbiotic aspects of the same "deep-seated, irreversible economic impasse" (Foster, 2007). In these respect, the expansionof finance provided the means for growth of the U.S. economy. Magdoff and Sweezy (1972) called this expansion a "financial explosion" which has become a major phenomenon in the operation of capital. Under this new phase, as Foster and Magdoff stated that capitalism was undergoing a transformation in which finance had become the dominant activity and they put in Marx's financialization formulation "*A shift from the "general formula for capital" M(oney)-C(ommodity)–M' (original money plus surplus value), in which commodities were central to the production of profits—to a system increasingly geared to the circuit of money capital alone, M–M', in which*

[1] Monopoly capitalism as a concept widely used among Marxist economists to point out the stage of capitalism that emerged at the beginning of the 20th century.

money simply begets more money with no relation to production." (Foster & Magdoff, 2008: 15).

These conditions marked that capital began to search for refuge in the sphere of circulation, that is, in the speculative activities of finance. Financialization has emerged as a way of absorbing the investible surplus which inundated the sphere of production by channeling it to financial sphere (Lapavitzas, 2011). According to Foster (2007), all these pointed out the rise of monopoly- finance capital in which financialization has become a "permanent structural necessity of stagnation prone economy." In these context, financialization represent one of three epochal trends of capitalist accumulation in the 20^{th} century, along with the slowing down of growth rate and the rise of monopolistic multinational corporations (Sweezy 1997). Under new stage of capitalism is characterized by "monopoly-finance capital", the role of mega-financial institutions has increased and also increasing concentration of capital has been witnesses (Foster& Magdoff, 2008).

As Foster underlined, monopoly-finance capital is a qualitatively different phenomenon from what Hilferding and others depicted as the early twentieth-century age of "finance capital" took root particularly in the ascendancy of investment-banking. The Monthly Review current pointed out that while the profits of financial corporations have grown relative to nonfinancial corporations in the U.S. in recent decades, it cannot be make easy divide between the two because nonfinancial corporations are also increasingly participated in money and capital markets (Kripper, 2005: 173- 208, cited in Foster, 2007). Therefore, the synergy of financial and nonfinancial corporations makes it harder to see a division within capital itself. As 2007-8 financial crisis indicated that no matter how far finance extend, it could never overcome stagnation within production, and financial sphere could not spread out entirely independently from in the underlying productive economy due to the bursting of speculative bubbles was a growing and repetitive problem (Foster, 2007). Brenner (2006) analyses financialization in similar accounts and used the term "long downturn" to characterize the stagnation of the world economy since 1973. According to him, the inter- capitalist competition especially among United States, Germany and Japan was the source of crisis which started in the 1960s and continues today. He focused on the competition of exports in the mid-1960s which led to overcapacity and overproduction in the market for manufacturing sector in the U.S. This brought about the fall in profits in the U.S. economy between 1965 and 1973 (fell by 40.9% and 29.3% between 1965 and 1973, respectively).

Brenner (2002) saw the capital investment and profitability as the primary determinants of economic dynamism and productivity growth in general. On that basis, the dramatic fall in profits of the manufacturing sector and consequently its impact on the overall profitability of U.S. economy, and increasingly investment to financial assets. Furthermore, Brenner linked the stagnation in the productive sphere to the theory of the tendency of the rate of profit to fall. That is, overcapacity in production, not only intensified the competition among large corporations, but also led to a declining rate of profit. On the other hand, classical orthodox strategy of repression of wages and slowdown in investment led to contraction of demand. Demand management policies i.e. credit expansion and speculation can only temporarily solve the problem of the decline in profit rates, but in the last instance cannot prevent the crisis. As Brenner (2009) depicted the plan that U.S how to deal with the pervasive stagnation:

> *"Corporations and households, rather than the government, would henceforth propel the economy forward through titanic bouts of borrowing and deficit spending, made possible by historic increases in their on-paper wealth, themselves enabled by record run-ups in asset prices, the latter animated by low costs of borrowing. Private deficits, corporate and household, would thus replace public ones. The key to the whole process would be an unceasing supply of cheap credit to fuel the asset markets, ultimately insured by the Federal Reserve."*

Like Monthly Review current, Brenner also focus on the recent rise in financial activities as a response to the stagnation and problems in the real economy since 1973. It should be also added that Brenner's analysis triggered many debated in the literature due to its ignoring the importance of credit and international finance[2]. All in all, both Monthly Review current and Brenner has broken an innovative way by indicating that financialization reflects an epochal shift in the balance between real and finance in the favor of the latter. However, they are not good at linking up the operations of the fundamental agent of the capitalist economy and so its content will remain blurred.

2.1.1 World System Theories & Giovanni Arrighi

Giovanni Arrighi is an important contributor to the epochal aspect of financialization. He put financialization within an ambitious cyclical theory of world economy initiated with early modern era (Arrighi, 1994). He describes financial expansion as a symptom of maturity, a particular capitalist development and a sign of the autumn of the hegemon of the respective era (2010: 221). Hegemonic capitalist formations succeed with each other along with cyclical pattern of evolution of capital. Arrighi's original insight in connection with Braudel's anaylsis of the longue dure'e of capitalism. Like Braudel, Arrighi argued that a pattern of recurrent historical rise of finance based mostly on examining the expansion of capitalist world trade since the 15th century (Lapavitzas, 2011: 5). That is, the issue of financial expansion as a recurring phenomenon in world system. For Braudel (1992: 246 cited in Lapavitzas, 2011: 5), while the growth of financial deals in centers of accumulation could be seen as "sign of autumn" but for Arrighi, the autumn in the sense of developments within capitalism which is seen in the end of material expansion and so interpreted as the autumn of hegemonic power configuration.

From this perspective, the financialization of social formation is a sign of the autumn of hegemon as productive power declines, the sphere of finance and financial gains expand. In his Long Twentieth Century, Arrighi identifies four systemic cycles of accumulation the hegemons of which lost gradually productive power, as a result,

[2] See Fine, Lapavitsas, and Milonakis (1999) for a critical response to Brenner from a value theory standpoint.

finance growth and entered the phase of financialization. According to Arrighi, Genoa, Netherlands, Britain, USA entered financial cycle when they lost their prowess in production and trade. It is clear that Arrighi placed financialization within the flexibility of capitalism as a broad historical perspective. Although WST dealt with the plurality of nation state, WST theorists are good at indicating the global character of capitalist accumulation and concentration of capitalist power.

As I already mentioned, Arrighi does not confine himself with individual trend of capitalist investment, instead, he, by taking into account of Marx's general formula of capital, focus on the pattern of capitalism as a whole starting with early modern era. While he started with general formula of capital that is, M...C...M' or M – C… P… C'– M' in its extended version, he raised the ground level from expanded reproduction of capital as a social relation to capitalist world economy as a whole. As he points out, the central aspect of pattern of historical capitalism lies behind the succession of epochs of material expansion qualified by investment of money into production of commodities (M-C) following by phases of financial rebirth and expansion (C-M' phases). In the last phase of systemic cycle, as expected, the ever-increasing proportion of the money capital goes to financial investment instead of productive one. (Arrighi, 1994: 5-9 cited in Güngen, 2012: 39). In other words, over-accumulation of capital triggered financial expansion which is a cyclical pattern of accumulation in which the investment of money in the expansion of trade and production after a certain point, does not serve the purpose of increasing the cash flow to the capitalist stratum as effectively as pure financial deals can (Arrighi, 1994: 8).

It is clear that the financialization from the perspective of WST can be apprehended from looking at data of profit rates in the centers of accumulation which actually put the Marxist theory of the law of the tendency of the rates of profit to fall in a historic perspective. It should be added that a systemic cycle of accumulation figures also out a hegemonic power of world order, which comprised two phases and eventually renewed by a new one repeatedly (Genoese, Dutch, British and American in order). In every case, financial expansion corresponds with the weakening the leadership of world hegemon and birth of the newly dominant power, which is inherent to the cyclical nature of capitalism. From this perspective, the current global crisis that began in 2007 is another episode in long-term decline of US hegemony.

Besides placed financialization within a broad historical perspective, WST and Arrighi's work have path-breaking because of their emphasis upon competition. To say at first, associating with the waning hegemony in financialization phase of cycle, nation state starts to compete with each other for attracting the mobile capital. In the case of financial expansion, nation-states go under the disciplinary power of finance, which gives many opportunities to finance capital. The other analytically important points stand out in WST is related with competition between firms. Unlike Monthly Review current, WST underlined the importance of the inter-enterprise competition. This emphasis is clearly contradicting with monopoly stage of capitalism thesis. Moreover, according to WST, the firms rechanneled their resources to financial activity not due to just surplus absorption problem and monopoly character but rather thanks to heightened competition. Therefore, the competition among firms, for WST, increased and in fact, this is critical for financialization (Güngen, 2012: 41). Although there is an open point of departure from Monthly Review current, they put emphasis on similar issue of exacerbating the weakness of production and trade in the financial expansion phase.

Even though Lapavitzas (2011: 6) thought that financialization for WST reflects the epochal turn of capitalist economy due to malaise in the realm of accumulation, the issue of defining the ascendancy of finance as a mere recurring malaise phase of cycle or as a social structure of accumulation is left open. In addition to this, as Wood figured out main weakness of WST lies behind commercialization model (relating with imposing an evolutionary view of history culminating in capitalist or commercial society). She argued that there is need of military and political capacity i.e. "extra-economic powers of regulation" so as to maintain the expanded reproduction of capitalist accumulation on a world scale (2002: 18-19 cited in Güngen, 2012: 44). As resemblance with this, the well-known fact that WST refutes the possibility of a world empire because of functionality of interstate system. According to WST, the hegemon state attains the capacity to determine the course of socioeconomic events. This means that the location of state assigns its capacity to accumulate surplus value and vice versa. Put differently, state tends to fulfill the needs of capital. For that reason, WST is criticized mostly as structuralist and functionalist (Özdemir, 2010: 211).

2.1.2 Regulation School

Regulation School also shares a specifically historical approach through exploring the differences between "configuration of capitalism in previous periods and latest period." (Mader, 2014: 4). Rather than investigating financialization with reference to global dynamic of capital accumulation, it focuses upon the viability of a finance-led growth regime on the basis of national economy. Indeed, the regulation theory comes close to a Marxist approach by associating the rise of finance with a secular transformation of capitalist economy to sustain and stabilize the accumulation process that was being threatened by economic and social pressures in the 1970s. As Lapavitsas (2011: 6) rightly points out that the regulation-ist approach to financialization has resulted partly from the long-standing interest of this school in the presumed disintegration of Fordism. For that reason, they started to search for the new regime of regulation which was shaped around financial markets, greatly in the stock exchange. Nevertheless, the regulation through finance was unable to solve problems of accumulation such as growth, employment, output and so on (Aglietta, 2000).

The regulation school was preoccupied with the crisis of "regime of accumulation", on the assumption that the old regime of Fordism came to an end in the 1970s. In the following period of turbulence in the 1970s has brought about the exhaustion of the elements characteristic of the period of Fordism in the post-war period which was characterized by mass production, rising productivity and rising real wages. Regulation school tries to give an answer the question of how the capitalist mode of production can be stabilized over limited periods despite its inherent contradictions. In this context, Orle´an (1999) proposed the notion of regulation arising through the trading of capital in financial markets and also Boyer (2000) has attempted to model with regard to the operations of the Stock Exchange (cited in Lapavitzas, 2011: 7). In this respect, regulation through finance can avoid the problematic effects for the performance of accumulation, including rates of growth, output and so on (Aglietta 2000). Therefore, regulation school interprets financialization as a crucial driver of growth in the 'finance-led accumulation regime' that succeeded the Fordist growth regime of the post-war era (Boyer, 2000).

According to Boyer (2009), in the second half of 1990s, the important alternative vison of the future of capitalist growth has becoming influential. Many transformations occurred such as any giant mergers, capital mobility, diffusion of equity among a larger fraction of population and so on. All these transformations have pointed out the emergence of a finance-led accumulation regime. This would result in a totally novel regulation mode, called as 'the new economy'. Mode of regulation implies a certain configuration of the five key structural forms to promote growth for a considerable period of time because this is critical in explaining the mechanisms of this configuration of wage labor nexus, forms of competition, state intervention, monetary policy and international regime in order to couple the regime of accumulation on regional or nation-state level. Under the finance-led growth regime, this new economy brings about labor-market flexibility, price stability, developing high-tech sectors, booming stock market and credit to maintain the rapid growth of consumption and permanent optimism of expectations in firms. Consequently, the regulation theorists have not only interested in changes in corporate governance, shareholder value and associated short-termism of corporate enterprises since the 1970s, they also have given attention to various forms of a new bargain between employers and workers and this new relation display greater initiative besides some 'stakeholder mentality' in exchange for greater job security. In other words, in the post-Fordist era, the work and employment conditions depend on short-termism and tend to become precarious. On the other hand, along with growth of finance, since the late 1970s, the policy shifts that realized toward more market-friendly development strategies and a shift in macroeconomic policies propagated by the World Bank and the International Monetary Fund (IMF) during the Washington Consensus era.

However, the capacity of each country to adopt and implement of a such a model would be attained by country's place in a hierarchical world economy governed (Aglietta 1998). Put differently, the regulation school seeks to explain different aspects of a financialized regime of accumulation (Aglietta & Breton, 2001). Hence, Regulation-ist address the specificity of developing countries in their path toward financialization. Like many advanced economies, many developing countries have experience a shift from different forms of "peripheral Fordism" to locally-specific forms of financialization of their economy (Bonizzi, 2013). In this light, financialization is not a linear process and takes different forms in developing countries vis-à-vis advanced economies. This difference is presented such that financialization between the take-off of a second circuit of … securities, and financialization based on interest-bearing capital and thus, on high interest rate (Bonizzi, 2013). While first type of financialization is associated with the inflation of financial asset prices and common form seen in advanced Anglo-American countries, but second type is based on financialization through interest income which is relevant for many developing countries.

Consequently, all of these differences have deeply affected the role of the financial sector in the economy and the political economy of these countries. Moreover, in his critique against Brenner's (2006) Economics of Global Turbulence, Aglietta (2008 cited in Güngen, 2012: 48) focused on the rising powers such as China and India, so as to underlined the limitations of the so-called Anglo- American model. Moreover, with the impact of alteration of monetary policy and wave of financial liberalization, Aglietta (2008: 70) give importance to the effect of shareholder value revolution and the effectiveness of business strategies for improving total factor productivity. Especially after 1997-1998 Asian crisis, emerging market[3] turn their face toward diversification of trade and adopt export-orientation strategy. With the impact of these changes, they could get higher growth rates and achieve accumulating of huge funds. In turn, many emerging markets started to resource transfer to advanced

[3] Scholars did not speak of "emerging markets" during the late 1970s and early 1980s at the peak of international debt crisis. The phrase of emerging market points out the middle-income countries which were advises to follow the neoliberal footsteps for successful integration with the world economy and increasing welfare.

capitalist countries, which paved the ground for a boom in asset prices and recent financial crash.

In this light, regulation theory deals with the possibility of a finance-led growth regime and problems related with the market-based finance. It is important for regulation school to inquire the forms of competition in the new era and understand the role of monetary policy and finance in the organization of the behavior of both firms and households. In other words, as long as capital get disconnected from prevailing institutions and systems of business, capital market is forced to turn its focus from labor to shareholder value. In the financial market, great deal of shareholders expects a higher return which in turn enforce firms to increase their debt in order to meet the expectations. Due to precarious employment conditions, the maintenance of the leveraged financial structure of firms become difficult since the productivity increases are not met with increasing aggregate demand. Furthermore, this leveraged structure of firms leads to increase in fragility not by themselves but also employees. On the other hand, Aglietta and Rebe'rioux (2004 cited in Lapavitsas, 2011: 6) have, in their following work, used the notion of patrimonial capitalism whereby income is accumulated through shareholding which could compensate for stagnant real wages. From such a perspective, regardless of wage stagnation, an increase in the consumption level can be explained by the wealth effect (thanks to increase in market value of shares held by firms, banks and individuals) (Güngen, 2012: 46).

As I already mentioned, the regulation school pay attention to 'shareholder value' and changes in corporate governance since the 1970s. In this era, firms started to be evaluated based on share prices instead of their specific criteria based on industry and viability of business projects. Lazonick and O'Sullivan's article (2000) has widely quoted to demonstrate the connections between shareholder value and company downsizing. Boyer (2005) criticized the shareholder value conception since it become a way of legitimize the supremacy of shareholder by focusing on the disciplinary power of financial markets and subordinate the investment decision to expectations on asset-price appreciation shortened the firms 'investment horizon. Moreover, Boyer turns his attention to elite power by underlined the growing inequality among the CEOs of corporations and high-level financiers who gains substantial amount of income to engage in stock price options and rest of society. All of these raise question of the viability of the ‘finance-led growth’ and financialized economy.

All in all, Regulation School points out coming end of the effective post-war mode of regulation of Fordism in the late 1960s and 1970s. Along with the wave of financial liberalization and change in monetary policy, the financial activity and market finance gained greater importance in the countries. Regulation theorists point out the existence of many possibilities of capitalism and focus on the evolution of it in different trajectories rather than one model of capitalism. According to Mavroudeas (1999), regulation theory underlines many possibilities to state market relations by articulating different approach relations in the case that they seem to clarify the dynamics of capital accumulation and the evolution of institutional forms which bring about the problem of referential pluralism about state and capital relations since they emphasized on the existence of many models of capitalism and each alternative regime can have a chance to survive only within the framework of institutional legacy of these particular types.

2.1.3 Post-Keynesian Approach

Post-Keynesian approach has understood financialization in terms of the capital accumulation process increasingly taking place through finance, relative to other activities. It points out particularly the rise of financial profits and incomes as one of the key process of financialization (Stockhammer, 2004). In Financialization and World Economy, Eptein (2005: 3) pointed out that financialization means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operations of the domestic and international economies. His definitions create a space to operationalize the critical concept of the rentier from a post-Keynesian point of view on which I will elaborate below. Scholars like Stockhammer, Crotty, Skott and Ryoo offers an overview of financialization, by emphasizing that is a recent term, still is ill-defined, which gives summary of a broad range of phenomena embracing neoliberalism, globalization of financial markets, shareholder value revaluation and rise of incomes from financial investment. They emphasize particularly its negative effects on production, accumulation and wealth[4]. Inthis light, for them, there are significant correlation between stagnating or declining production and booming finance.

The post-Keynesian studies start with the emergence of the global neoliberal economic order and its number of negative effects on general economic performance. It is often claimed that financial markets are open to speculation and so intrinsically unstable. According to Minsky’s financial fragility and instability hypothesis, systemic financial fragility emerges endogenously out of the normal functioning of the economy (Wray, 2011). It is actually analysis of the boom and bust cycles in the capitalist economies, depending on the linkages between financial and real variables. In this vein, post-Keynesians have dealt with the detrimental impact of booming finance on production. Their main focus depends on the analyze the impacts of financial liberalization on real investments. Post-Keynesian analysis focus especially on the re-emergence of rentier since it is thought that neoliberalism has triggered financial sphere at the expense of industrial profits, which affects negatively performance of growth, investment and output. As a well-known fact that the concept of the rentier is central in the Keynes’ analysis of capitalism. He defines the rentier as – a parasitical economic entity- and - functionless investor- who extracts interest because capital is scarce, which can in turn lower investment and profitability. Following the footstep of Keynes, the post-Keynesian approach, underlined the problem of rentier, see financialization as an impediment to real accumulation because it leads to deprivation of capital for active capitalist by rising interest rates (Lapavitsas, 2009: 24). Especially, in the work of Stockhamer (2004), Crotty (1990; 2003) by collecting empirical data, tried to indicate the negative impact of rentier over the real sector through decreasing the returns of industrial capitalists and limiting scarce investment funds (Lapavitsas, 2011: 5). The post-Keynesian concludes that there is a significant tension between the idle rentiers and functioning capitalist under neoliberal age.

Even though Marx also wrote about rentier, he definitely adopts different attitudes

[4] Stockhammer (2004), Crotty (2005), Skott and Ryoo (2007).

towards finance and rentier. For him, loanable capital come from the nucleus of capitalist production and the circulation of it which does not mean the existence of rentier class as a subsection of the capitalist class. The idle money acts as money capital in the production process. With this, capitalist can get ready to produce by hiring workers and buying means of production. In the production process, labor produce value more than what s/he acquire in the exchange of her/his labor force and also the value of some part of the means of production which are carried forward products. At the end of production process, surplus value is appreciated by capitalist who accrues the profit once the commodities are sold. In this light, it cannot be claimed that lent money itself is the source of interest. According to Marx (1981: 516), interest is nothing but the share of the surplus value which is extracted from the workers by the capitalist. Industrialist capitalists give some portion of their surplus as interest since credits nurture production on a larger scale through fostering turnover time of capital.

Put differently, for Marx, financialization does not only lead to favor production and accumulation but also increase aggregate profits. Hence, financialization cannot mean clash of interest between productive capitalist with idle rentiers (Lapavitzas, 2009: 25). As the primary focus on this work is based on contemporary financialization, I believe that the claim of separate social layer of rentiers is far from explaining the dynamics of contemporary financialization. First of all, the relationship between industrial/commercial capitals and banks has going crucial alteration. As we will discuss later, nonfinancial corporations have start to engage in open financial markets and so their dependence of banks has decreased. Moreover, modern finance cannot be confined within holders of loanable money: rentiers who parasitically appropriate income from industrial profits. Hence, the assumption of so-called social tension between rentiers and good industrialist has been far from elaborating contemporary finance and financial-deals. Nevertheless, all of these do not denote that there is a harmonic unity among individual capitals. Because of the fact that they share surplus value among themselves, the conflict among them cannot be inevitable among different capital fractions.

Nevertheless, post-Keynesians are critical towards the availability of financial investment and the differential return between financial and non-financial investment while have a negative effect on productive investment, make a positive effect on financial investment. As Crotty (1990) indicate that firms' productive investment could be reduced due to the increasing attention to the creation of shareholder value. By focusing on U.S. nonfinancial corporations (NFCs), Crotty (2003) argued that NFC performance was adversely affected by two major changes with the effect of neoliberal globalization. First one is related with "a slowdown in the rate of global demand growth and an increasing intensity of competition in key product markets" which led to decrease in NFC profit rates. Second one come from "impatient financial markets" while raised real interest rates, it forced NFCs to pay an increasing share of their cash flow to financial agents. It not only changed managerial incentives and but also helped to impair NFC planning horizons. Put differently, the general line of argumentation is based on the analyses of financialization of national economies and performance of corporations, which can be found in Crotty's "neoliberal paradox. "[5] According to him, "*intense product market competition made it impossible for most NFCs to achieve high earnings most of the time, but financial markets demanded that NFCs generate ever increasing earnings and ever-increasing payout ratios to financial agents or face falling stock prices and the threat of hostile takeover."* That is, post-Keynesian scholars focus on not only a rich set of changes in the financial sphere which have an important effect on macroeconomic aggregates or macroeconomic behavioral functions but also deal with a specific aspect of shifts, such as the increased engagement of nonfinancial corporations in financial activities (Stockhammer, 2004: 720; Crotty, 2003).

All in all, post-Keynesian studies put emphasize on the decreasing growth rates because of changes in the internal power structure of the firm (shareholder revolution), the re-emergence of the rentier and the growth of financial profits at the expense of industrial investments, and consequently rising unemployment and income inequality. That is, they focused primarily at macroeconomic level and identified the destructive impacts of financialization on production. As discussed above, post-Keynesians and Marxist attitude toward financialization is distinct from

[5] See Crotty, 2003: 272.

each other due to fundamental difference related with the perception of finance and capitalism from a broader point of view. While post-Keynesians accuse finance with slowdown in real accumulation, Marxist account derives financialization from systemic origins of capital and see expansion of finance come from declining profitable opportunities in the productive sphere. Hence, this approach keeps away from seeing financialization as "the triumph of the rentier over the productive capital" (Lapavitsas, 2011:5). Therefore, the functioning of interest-bearing capital cannot be seen as detached from production. We now know that interest is nothing but the share of the surplus value (and therefore profit), extorted from the worker by the capitalist, accruing to the creditor for providing money capital. Thus, the functioning and the fruits of interest-bearing capital cannot be seen as detached from production.

2.2 Financialization as Rising in Consumer Credit and Household Indebtedness

Although it is increasingly in the forefront, indebtedness of individuals is not unique to today's world. The anthropologist Graber (2011), in his study of the five-thousand-year history of debt, pointed out that the records of interest-bearing credits was found in 3200 B.C in first time in Mesopotamia. Managers and traders who first control the surpluses had begun to give commercial credits. Especially during bad harvest times, they gave consumer loans to farmers which has in return caused divided society as borrowers and lenders. Later, during Sumer and Babylonian kings time, general debt forgiveness was declared at certain time intervals. What I want to say is that credits have existed in various forms from pawnshops to loan sharks to informal credit since prehistoric times.

Although consumer loan is not common in the 19th century, it was available mostly to the middle and upper classes. Their involvement in the credit system was mainly based on accumulation of their savings in financial institutions in return for interest payments. On the other hand, usury was the form of borrowing among the poor whose income was appropriated by moneylenders. Marx focused on this kind of borrowing by indicating the practice of pawn broking in England. These moneylenders were called as usurers. Indeed, a usurer's capital is a form of interest-bearing capital and used as a means of payment, not as capital in the pre-capitalist societies (Marx, 1981: 734). In the form of interest, usurer can exhaust everything. Marx (1981: 732) concludes, "Usurer's capital has capital's mode of exploitation without its mode of production" As Marx (1981) wrote in discussing merchant's capital and interest-bearing capital in volume III of Capital:

> *It is plain enough that the working class is swindled in this form [lending to immediate producers] too, and to an enormous extent; but it is equally exploited by the petty trader who supplies the workers with means of subsistence. This is secondary exploitation, which proceeds alongside the original exploitation that takes place directly within the production itself (745).*

These writings of Marx open a road for somewhat ambiguous interpretations (Lapavitsas, 2009: 24). If we think about analytical and historical context, usury and trucking belong to proto- even pre-capitalist era and it is far away from generalization. It is not possible to generalize the usury and trucking in the context of 21st century and also usury in the past could not be confined to working class (Fine, 2010: 5). Nevertheless, according to Marx, loanable capital results from the very processes of capitalist production and circulation as an idle surplus, which does not imply the existence of a distinct subsection of the capitalist classes (Marx, 1981: 741). Therefore, the lender all the intermediate steps in the formula M-C (labour power and means of production) …P…C' – M' should not be reduced to the two extremes M – M'. That is, money cannot bear money and so the transformation of money into money capital is totally disguised.

According to Lapavitsas (2011), financialization is different from financial ascendancy at the end of the 19th century in terms of the relationship between finance capital and nonfinancial corporations and of the institutional settings. It cannot be summarized as the reemergence of rentier since it is rather as a systemic transformation of advanced capitalism. Although the era of financialization has prominent analogies with Hilferding's and Lenin's period such as ascendancy of multinational corporations and finance and capital exports has increased and also imperialism continued under new forms, Lapavitsas (2011: 9) argued that theory of Hilferding and Lenin do not be enough for explaining present conditions because of a systemic transformation of advanced capitalism. First of all, it cannot be seen the fusion of banks with industrial capital and most importantly, the domination of banks over industry. In addition, trade barriers have been dissolved among territorial empires. As figured out by Dos Santos (2009) and Lapavitzas (2009), Bryan and Rafferty (2013), financialization was characterized by a structural transformation of advanced capitalist economies. They seek its roots within the fundamental relations of non- financial enterprises (NFCs), financial enterprises and workers. In this vein, this transformation can be understood only by elaborating of an increased financialization of nonfinancial corporations and households and the changing role of banks. Only the analysis of these three levels explain the mediations between production and finance. In fact, these developments can be meaningfully understood as embodying prominent shift in the sources of bank profits, away from the profits of productive enterprise toward the wage income of ordinary people. Credit relations have been exponentially extended over the last 30 years.

Not surprisingly, wage earners have progressively involved in formal lending agreements at unpreceded levels firstly in many advanced economies such as US, UK. Later, especially after 1990s, expansion of consumer credit has become a significant aspect of financialization for developing countries also. As we will discuss in the following sub-section, Washington Consensus has been to open domestic economies to international capital markets, especially in the 2000s, as developing countries became more closely integrated with world capital markets. Since 2000, domestic financial expropriation become prominent in a number of developing countries, which brought about rising individual indebtedness especially among wage-earners. The financialization of household income is highly associated with deregulation of the operations of foreign banks which was promoted by World Bank economists since the mid-1990s. According to the IMF’s Global Financial Stability Report (2006), international banks firms have gained significant profit from mass retail lending to household across many developing countries. Indeed, as Dos Santos (2009:8) indicated some domestic banks also rapidly reoriented their activities towards profitable business in retail lending to households.

Although a complex set of structures such as institutional, historical, economic, political and cultural factors play a crucial role at the financialization of ordinary lifer of people, it cannot be limited with increased borrowing (mortgages, education, health and so on). The financialization of workers' revenue is also an outstanding aspect of turning of banks toward households but it should be added that expanding financial assets are mostly observed in the developed countries in the form of housing, pensions, money market funds. Lapavitsas (2011) pointed out, as a result of bank restructuring since 1970s, banks started to engage with individuals as sources of profit and so it has broadly gained from fees, commissions and profits from trading i.e. function as investment bank. As a result of retreatment of welfare provision, workers are forced to channel of their saving to insurance companies, pension funds which make banks be able to extract profits directly from individuals.

Let's start with household borrowing. For Dos Santos and Lapavitsas, financialization as the exploitation or expropriation of workers' wages became prominent with the effect of displacement of public by private provision across health, education, housing, pensions and precarious working conditions since late 1970s, especially under the decreasing/ stagnant wages. Hence, the growing household borrowing stems intrinsically from defined social policy and broader macroeconomic management. By the increasing borrowing of people, banks and other financial institutions have able to make profits out of worker' wages and salaries. It should be also underlined that personal indebtedness become an essence of securing private-market based provision. According to IMF's 2006 Financial Stability Report, not only emerged but also emerging markets have adopted their policy to private-market based provision by shifting in housing policy, making chance of direction of credit requirements by reducing share of production loans, supporting lending by commercial banks and non-bank financial intermediaries make significant contribution of increase in lending to households (Dos Santos, 2009: 8- 9). That is, household indebtedness has been significantly encouraged by national and international policy initiatives.

On the other hand, credit extended for households is highly associated with rising income inequality since household borrowing become as a way of maintaining relative levels of consumption besides sustaining aggregate demand (Barba and Pivetti, 2008, Dos Santos, 2009, Lapavitsas, 2009, Javadev, 2012). In this vein, credit-fueled consumption become compensation way for increasing inequality in a society. Credits become an integral part of accessing health, education, housing and consumption needs through private markets as part of process of reproduction of working class. This shows that households borrowing has become an important part of capitalist accumulation process. Therefore, interest-bearing capital has been systematically to appropriate as a part of revenues of households under neoliberalism. It is true that some of banking's profit come from the provision of personal finance i.e. deductions from wages. Fine (2010) criticized Dymski, Lapavitsas and Dos Santos' argument regarding financial expropriation because he argued that interest is paid out of surplus value as" the value of labor power is determined by what the wage-earners receives, not by is not received." Moreover, for him, Dos Santos and Lapavitsas are far away from locating financialization into right place within contemporary capitalism. In my view, Fine is rightly to point out that problems relating with capital accumulation process, slowdown of growth and expansion of finance cannot be confined to the profits arising from the exploitation/expropriation of workers. However, the notion of financial exploitation or expropriation gives important clues about certain aspects of contemporary capitalism since there has been a dramatic rise in the overall volume and relative significance of credit to households which has expanded as foreign and domestic banks gained important profitability in consumption and mortgage lending.

It cannot be denied that there have been crucial changes occurred in the relation of non-financial corporations, the operations of banks and the articulation of workers with financial markets and also the role of state with the rest of the economy. However, it should be underlined that credit relations between banks and wage-earning households are fundamentally different from lending to capitalist enterprises since consumer credit depend on a claim on future income and its repayment depends on the potential of labor to produce future value. Under these conditions, wage-earners have no means other than the sale of their own labor power as the means to secure access to necessary consumption and repayment of their debt. Their reproduction schematically may be represented as, C – M – C'. This shows that wage earners sell labor power C, so as to get an equivalent quantity of value as money M, which give way to purchase of equally valued consumption commodities C' (Dos Santos, 2009: 14). That is, under capitalist mode of production, workers are obliged to sell their labor power – their capacity to labor – in return for wages. Credit borrowed from individuals is not used for generating surplus value but to acquire use values. However, industrial capitalists aim at profit extraction.

By transforming money capital into commodities labor power and means of production, C (lp, mp), production process starts and new commodities are created, whose sale allows the capitalist to get profits. The nucleus of process lies behind the appropriation of value created by labor power over and above the value presented by wages by capitalist enterprises. As Dos Santos (2009, 14- 5). summed up the process as M – C(lp,mp) – M'. The process become successful, even if M' is bigger enough than M, which defines the rate of profit. Therefore, interest payment on credits or loanable money capital represent a division of profits realized by enterprise. While borrowing enables capitalists to shorten the turnover of capital and allow them access to money for expanding production. That is, capitalists borrow money and put it to use as capital. They recover the money by selling the commodities produced and so the interest payments represent a division of profits realized by the enterprise. Hence, the rate of interest typically should be below the general rate of profit of enterprises in other words, the repayment of interest cannot mean the loss of capital values by the borrowing enterprise. Therefore, the credit relations between banks and wage-earning households are fundamentally different since the borrowed money is used for consumption rather than for creating value.

As well-known fact is that appropriation of surplus value is the key feature of capitalist system. What labor produces in the process is divided between surplus value and the value that paid for the labor power in Marxian analyses. According to Marx, the value of labor power is defined in the same way as is the value of other commodities: by the socially-necessary costs of its reproduction. However, the uniqueness of labor power lies behind that it is the only commodity can produce more than what is required to produce and reproduce. The key point is that the workers sell their capacity to labor i.e. labor power, being framed as a form of commodity capital. In the case of the process of production, labor power undertakes the act of labor, Marx frames as variable capital as opposed to constant capital which is represented by the means of production such as raw material, secondary material. These are the instruments of labor does not undergo any quantitative alteration of value in the production process. However, the alteration of value stem from labor- power i.e. from variable capital in the process of production. Variable capital-labor- reproduce not only the equivalent of its own value, but also produce an excess, a surplus-value (Marx, 1867: 317). The important thing for us, in Marx, labor power is defined in the same way as is the value of other commodities: by the socially-necessary costs of its reproduction (Marx, 1976: 274). That is, the value of labor power is determined by the value of a bundle of goods required for its reproduction.

Nonetheless, Marx was also aware of the peculiar characteristics of labor power. As he underlined, unlike other commodities, historical and moral element are prominent in the determination of the value of labor power. For that reason, a laborer's means of subsistence changes according to "the climatic and other physical peculiarities of her/his country" and highly related with "the level of civilization attained by a country, that is, depend on the habits and expectations in which the class of free workers has been formed (Marx, 1976: 275). However, the analysis of Marx has been criticized for its neglect of unpaid resources which enter into the value of labor power-(unpaid) domestic labor, being out of specifically capitalist relations and not privilege the pursuit of profit.

As Federici (2010) figured out, the reproduction of labor power is not realized only within capitalist relation of production, but also within the family. Hence, the role of domestic labor such as cleaning, cooking and child care are indispensable for the reproduction of the labor force. Consequently, domestic labor has a crucial role in the determining the value of labor power. Due to unpaid nature, it is not included in the price of the values of labor power i.e. wages. Therefore, the total cost of the reproduction of labor power cannot be explained only the money cost of reproduction of labor power, consisting of the value of those commodities purchased to sustain it, therefore, the unwaged household labor must be taken into account. On the other hand, in the current era, we faced with the direct incursion of capitalist calculation inside the household. As Bryan, Martin and Rafferty (2009: 461-462) pointed out, household itself turned into unit of analysis, not just in its internal operations such as family bookkeeping but "through its exposure to credit, the demands of financial calculation, and requirements of self-funding non-wage work in old age". Hence, households now must deal with a range of issues about finance.

If we turn our main question, how does this process of financialization change our understanding of reproduction of labor power and how can one conceptualize the interest payment on consumer credit? If we remember of Marx's formulation of the value of labor power, wage earners sell labor power in order to obtain an equivalent quantity of value as money, which allow the purchase of equally valued consumption commodities. The main determinant in this process is the fulfillment of consumption needs, which is also shaped by norms, habits and expectations by complex noneconomic social processes. With the process of financialization, debts play a crucial role in this process because it may allow wage earners to access commodity values in excess of the value of their current earnings and/or any possible savings. In other words, wage-earners can purchase in excess of their means by using credit. In this context, some portion of future wages of labor must be used for making interest payments.

Although mainstream contributions were inspired by Milton Friedman's Life Cycle or Permanent Income hypotheses, indicating the gains in borrower welfare arising from consumption smoothing by consumers facing uneven or stochastic income paths[6], it would be more accurate to assume that wage earners have been increasingly forced to debt relations in order to secure their own reproduction with the effect of growing unemployment, stagnant wages, rising inequality and privatization of

[6] Such views imply a long-term individual calculus that bears little resemblance to the actual behavior of the mass of wage earners towards debt and an uncertain economic future, See Milles (2004) for illustrations.

provision of housing health and education i.e. permanent commodification of life. For that reason, it is not automatic process, so the distinguishing features of consumer credit lie behind the mechanism of social compulsion. Thus, the nature of borrowing of workers within capitalist framework resemble to borrowing from a usurer for unproductive purposes under a pre-capitalist system and so both are characterized by exploitation. As Lapavitsas also claimed, lending to workers resembles secondary exploitation in Marx's terminology.

Although it is important to bring class-relations into account, Lapavitsas exaggerated the role of exploitation/expropriation of the working class in the sphere of exchange. According to Fine (2010), the analysis of Lapavitsas displaced class-relations from the sphere of production into the sphere of exchange. Moreover, this type of analysis was unable to explain the period of slowdown or the crisis, other than as a purely financial phenomenon. In the meantime, the broader incidence and impact of financialization is neglected over all areas of economic and social life, due to this narrow attention to financial exploitation/expropriation of wage-earners. Nonetheless, the understanding of the recent expansion in finance is only possible with including a multidimensional analysis of the many transformations within capitalism. The literature on financialization allow us to understand the dominant role of finance in the contemporary word and also changing relation between different fractions of capital. Along with this process, the rise in consumer credits and household indebtedness as important aspects of financialization starting with developed countries.

Until now, I focused on the financialization literature in a certain respect since it provides valuable perception over world economy to understand what happened in the last few decades, however, as perceived, financialization literature mostly neglected financialization of developing countries. Hence, in the following subsections, I will dwell upon financialization of developing countries.

2.3 Financialization in Developing Countries: Emergence of Financial Liberalization and Development of Public Debt Market

Since 1970s, there have been profound changes in the exposure of national economies to the global financial system and the way of diffusion of the neoliberal orthodoxy. The initial aim of financial liberalization is to get rid of constraints on financial activities in order to provide the flow of domestic savings to investment. Even though opening the capital account is not main aim at first, financial liberalization has gradually extended to the capital account which is important base for growth of international capital flows. The most striking feature of this period can be summed up slowdown in capitalist accumulation, growing inequality and more frequent and severe crises. Through this period, deregulation of finance and labor market have progressively expanded. These new arrangements have also brought about a significant alteration of the monetary framework of capitalist accumulation. In 1971-73, the Bretton Woods Agreement was collapsed, which had fixed the convertibility of the US dollar into gold as $35 to ounce. When fixing exchange rates disappeared, and Eurodollar market has spread, the alternative international monetary arrangements have emerged, based on the US dollar functioning as inconvertible quasi-world money. These changes have led not only to increase of instability of exchange and interest rates, but also growth of international financial markets (Lapavitsas, 2009a: 3). Therefore, it is important to analyze financialization in developing countries in relation to their integration into the global financial markets.

The financial opening of developing countries is associated with the financial liberalization which began in the 1970s, includes lifting price and quantity controls in domestic financial systems (Akyüz, 1993). With the pressure of neoliberal orthodoxy on developing countries, financial liberalization process has gradually acquired further features, including the establishment of stock markets and an integrated pro-market development strategy. International financial institutions such as IMF and World Bank are the main supporters of these changes. However, the realization of neoliberal orthodoxy did not take place through only one mechanism. In some times, military coups designed and supported by the US to eliminate oppositional movements in countries, such as in Chile in 1973, Australia in 1975 and Turkey in 1980. In other times, they easily purchased the consent of the ruling elites with the effect of the resolution of debt crisis. For that reason, starting discussion with an analysis of the debt crisis is quite reasonable since IMF and the World Bank has been crucial in imposing the structural adjustment reforms on the developing countries. As Arrighi (1994:342) indicated, both institutions have been played role as the Ministry of World Finance through lending funds to developing countries which need credits either to meet their debt service obligations, or recover their economies from crises. In return, those countries had to implement structural adjustment program to use the loans provided by IMF. Further, these programs capture a range of reforms such as privatization of state-owned enterprises, cutting public expenditures, trade liberalization, currency devaluation, removing price controls, opening of stock markets, and so on.

Under the Bretton Woods system, the dominant debt pattern of developing countries was essentially characterized by bilateral official loans and credits of BW institutions (Balkan, 1994:65). However, oil hikes in the 1970s and the growth of the Eurodollar market brought about developing countries' access into the international capital markets and banks emerged as critical actors in the recycling of petrodollars in the 1970s. With the effect of the crises, industrialized countries suffered from recession and stagnant domestic demand, in fact, the US banks started to lose market share at home in return, foreign lending became more attractive for the U. S banks. That is, OPEC surpluses in the United States started to funding to developing countries in Africa, Asia, Middle East and particularly Latin America (Mahmud, 2010). However, this process was not free from disagreements between different policy proposals regarding credit extension to developing countries and governments of industrial countries did not have a net prescription to remedy the soaring problems of international financial system (Helleiner, 1994: 104-110). They share one thing which is the efficiency of market for the allocation of capital was undeniable since mainstream economics argued that financial liberalization would bring about the flow of foreign savings from capital abundant countries to countries facing capital scarcity, which help to deal with balance of payments problems and to increase of industrial investment of countries.

In little more detail, liberalization process followed mainly sequential pattern. Sequential reformers advocated that first step should be liberalization of foreign trade and then the capital account should become freer. However, starting with 1980s, a series debt crisis broke out in Latin America. IMF and the World Banks took to stage for enforcing neoliberal agenda in developing countries and integrating them to the international financial markets. With the effect of liberalizing capital account and foreign trade, developing countries have suffered from heavy financial and foreign exchange crises in the late 1990s and early 2000s. If we remember crises in South Korea and Asian countries (1997-8), Russia (1998), Brazil (1999), Argentina (2001) and Turkey (2001), the cost of crises was painful, resulting in falls of GDP, growing unemployment and deteriorated investment and consumption i.e. expanding inequality in societies. Like the consequences, the causes of crisis had in common in developing countries. The outstanding characteristic of these crisis can be listed as sudden reversal of capital flows and the collapse of pegged exchange rate regimes in these countries, in addition to complex corporate, banking, foreign currency and sovereign payment aspects (Painceira, 2009:6-7).

Even though the extension of Euro credits into developing world was not an even process, the total debt of the underdeveloped countries increased twelve times between 1970 and 1982 (and the average growth of external debt of developing countries increased on a rate more than 20% per annum between 1973 and 1982 (Balkan, 1994: 27 & Altvater and Hübner, 1991: 9 cited in Güngen, 2012: 117). Lending activity has been realized through syndicated credits and floating rate loans despite possible default of banks in that time (Balkan: 1994: 68). With the impact of growing inflationary pressures and the sudden turn to contractionary monetary policies in the aftermath of the 1978-1979 crisis, debtor developing countries found themselves in a position that they could not manage their debt service payment any longer especially due to high interest rate. As mentioned previously, in the 1980s a series of debt crises broke out in Latin America and Mexico’s default in 1982 resulted in a sudden halt in lending. The debt crisis paved the ground for naming the 1980s as lost decade for Latin American countries and also was a reflection of declining profit rates in advanced capitalist countries.

In the aftermath of the 1982 debt crisis, the stage was now ready for the IMF and the World Bank to complete the mission of enforcing neoliberal reforms in developing countries and integrating them to the international financial markets. It became evident that developing countries were unable to repay their debts because the default in Mexico was only the beginning as Argentina, Brazil, the Philippines and Venezuela also defaulted (Vasudevan, 2009a). Balassa (1982) summarized the response of BW institutions in a few sentences as these institutions not only with stabilization-cum-structural adjustment programs tried to make borrowers pay back, but also recommended export orientation and trade liberalization so that these developing countries would gain their “pre-shock growth path”. In this vein, the Baker Plan was arranged in 1985, providing new lending to developing countries as based on market-oriented reforms like privatization of state-owned enterprises, opening up to FDI and put an end subsidization to local business (Soederberg, 2005). The aim was to ensure the free international mobility of capital to find profitable investment opportunities. Put differently, free market fundamentalism and neoliberal orthodoxy have been imposed to many developing countries since 1980s by IMF and the World Bank (Harvey, 2005). In the following year, it was seen that the Baker Plan was not enough for solving debt problems of developing countries since it was realized that debt crisis was not a liquidity but a solvency crisis (Pauly, 2003).

There were many attempts to minimize the risk exposure on the sides of both creditors and borrowers as a result, in 1989, the Brady Plan introduced as a new strategy to manage developing countries’ external debt. Plan brought about a shift from debt rescheduling to debt relief. The debt reductions were funded via not only loans from international financial institutions, but also Brady bonds, debt-equity swaps formed which allowed the transformation of defaulted loans into Brady Bonds whose name come from the name of the US Treasury Secretary Nicholas Brady, as tradable papers paved the ground for transformation of debt into tradable assets and extend the risk across international financial markets (Vasudevan, 2009b: 297). In the early 1990s, 18 countries restructured $200 billion in bank loans into $154 billion in bonds (Gill & Pinto, 2005). From the sale of these bonds in the secondary markets, sovereign risk moves away from private creditors to wide international capital markets (Vasudevan, 2009a). Hence, from the point of view of banks, the restructuring worked well since this allowed bank to remove the debt from their balance sheets. However, from the point of the debtor countries, the plan was not decent due to the inadequacy of the debt reductions to resolve the problems of these countries.

Nevertheless, the Brady Plan played a crucial role in creating sovereign debt markets among developing countries, the so-called emerging market bonds. While debt level of emerging markets did not decline significantly, the Brady Plan increased the dependency of emerging markets on international capital markets for their financing needs. That is, the neoliberal transformation in emerging markets could not solve the problem of debt service. From the point of view of Painceira (2009), the capital account liberalization was one of the main conditions of Brady Plan which can be regarded as beginning of the financialization of developing countries in close connection with their integration into the international financial markets. Hence, the plan was critical in creating sovereign debt markets and encouraging financial reforms by removing controls on capital markets. Further, it provided a fruitful field of speculation and financial innovation in which the claims on future wealth of nations are exchanged.

Table 2.1. Global Financial Assets ($ trillion)

	GOVERNMENT DEBT SECURITIES	TOTAL FINANCIAL ASSETS	GOVERNMENT DEBT AS % OF TOTAL
1980	2	12	17%
1990	8	43	19%
1995	13	66	20%
2005	24	142	17%
2006	26	167	16%

Source: Mackinsey 2008 cited in Painceira(2009:9).

*Financial assets include equity securities, private debt securities, government debt securities and bank deposits.

If the table 2.1 was elaborated, it will be seen the growth of global financial assets since 1980. As Painceira (2009: 9-10) indicated the ratio of financial assets to global GDP increased from 109% in 1980, to 201% in 1990, to 294% in 2000 and to 346% in 2006. More importantly, the growth of financial assets of developing and emerging economies rose from \$3.9 trillion in 1995 to \$23.6 trillion in 2006 and the share of emerging markets in total financial assets has reached to 14% in 2006, from 6% in 1995. It is well-known fact that following capital account liberalization, developing countries gained experience of the impact of financialization. Capital inflows have taken the form of foreign direct investment (FDI) and portfolio equity investment which flowed into developing countries especially in Latin America and East Asia to take advantage from interest rate differentials.

The opening up to free trade, combined with these inflows of capital brought about increase in current account deficit which in turn financed through capital inflows. As expected, this led to further deterioration of the current account positions. In the case of risks perceived by the market, capital inflows stopped and currencies depreciated quickly, inevitably resulting in financial crisis. The ‘tequila crisis’ was good example of this type of crises which hit Mexico in 1995 and extended later to Brazil and Argentina. The second wave of financial crisis of the decade came in 1997- 1998 in East Asia with the collapse of its currency after cutting its peg to the US dollar because of lack of capital inflows to support the fixed exchange rate. These exchange rate crises were extremely contagious, which spread directly Russia in 1999, Brazil 1999, Turkey 2000-1 and Argentina 2001-2. In short, developing countries suffered from their opening up to free trade and liberalizing their capital account and the speculative character of hot money. The crises took place in each economy which varied based on the structural and institutional characteristics such as foreign currency and sovereign payment aspects, banking, corporate and so on.

A brief stop after 1997 Asian crisis, these inflows started to increase again under the assumption that capital account liberalization would lead to efficient allocation of savings and investments and these countries would benefit from foreign savings through capital flows. In fact, capital flows were used to finance current account deficits in the lack of reserve accumulation (Yentürk, 1999). Nonetheless, capital account liberalization, in practice, brought about increasing volatility and instability rather than increasing resources for investment in developing countries. More importantly, this created conditions of income transfer to developed countries since deregulating financial marked led to increase in interest rates in developing countries, which was essential to attract capital inflows to those countries. As Akyüz (1993) pointed out, high interest rates would reduce the aggregate level of investment by changing the composition of investment on the behalf of short-term, high-risk projects through attracting financial speculation and short-term capital inflows. Additionally, as a result of financial liberalization, exchange rates turned just another asset price open to speculation (Ertürk, 2003). That is, capital flows become more important in determining the exchange rate. Once more, high interest rates, appreciated currencies, due to capital inflows encouraged speculative activities. In order to avoid crises at exchange rate market, many developing countries build up foreign currency reserves (usually world money, i.e. US dollar) as a buffer against sudden capital outflows with the onset of the new millennium.

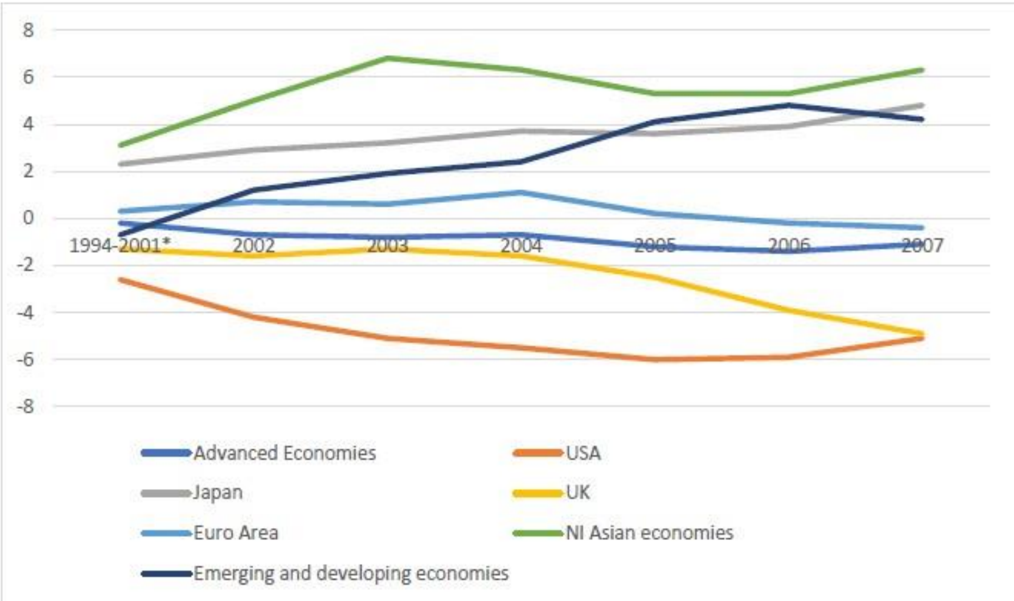


Figure 2.1. Net Lending – Sources and Uses of World Savings (% of GDP)

Source: IMF 2008, *Average of the years

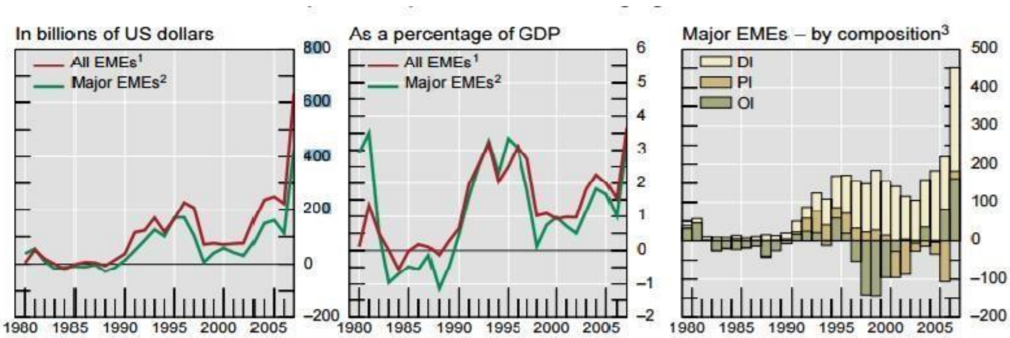
As figure 2.1 indicates that net lending by developing to developed countries has been positive and growing between 2002-2007. Further, negative net lending shows that the national economy needs funds from external sources to cover its domestic expenditures, however, positive net lending means that the domestic economy has exporting national resources to the rest of world. Hence, Painceira is right to argue that capital has flowed from developing to developed countries since 2000, which directly contradicts mainstream arguments related with desirability of international financial liberalization. If the share of central banks in total foreign holding of US debt was elaborated, it will be seen that this increased from 18.3 to 28.1 per cent in the same period. On the other hand, developing countries helped to reduce the US long-term interest rates and also stimulated the credit boom by investing huge amounts of reserves in US public debt. Meanwhile, US ability to create dollars as world money, giving way to run large trade deficits in that period (2009: 14) since by issuing public debt securities, US has compensated its trade deficits due to increasing imports.

Table 2.2. International Reserves of Selected Countries and Areas, Billions of US Dollars

	2000	2001	2002	2003	2004	2005	2006	2007
Total	800.9	895.8	1072.6	1395.3	1848.3	2339.3	3095.5	4283.4
China	168.9	216.3	292	409	615.5	822.5	1069.5	1531.4
Russia	24,8	33.1	44.6	73.8	121.5	156.5	296.2	445.3
India	38.4	46.4	68.2	99.5	127.2	132.5	171.3	256.8
Middle East	146.1	157.9	163.9	198.3	246.7	351.6	477.2	638.1
Sub-Saharan	35	35.5	36	39.9	62.3	83	115.9	144.9

Source: Lapavitsas,2009: 8

Painceira (2009) also signified that reserve accumulation has been went along with a large increase in domestic debt. So as to solve the inflationary impact of foreign capital inflows, developing countries had to engage in monetary sterilization through issuing of bonds and notes in domestic markets by Treasury or the Central Banks instead of supporting national development. Thus, the growth of domestic bond market is an important aspect of financialization in developing countries. Indeed, government and central bank securities are mainly dominated in issuance in domestic bond markets Put differently, excess domestic liquidity has been absorbed through monetary sterilization. Along with high rates of domestic indebtedness, the dependence of developing countries on capital flows has increased. To illustrate, public sector debt securities (covering Central Bank issuances) constituted 74% of the domestic debt securities at emerging markets. Further, banks and other financial institutions held the government securities, which is openly income transfer on the behalf of financial sector. To make it clear, the share of the total domestic debt held by banks increased from 28% to 42% and by other institutions from 29% to 38% between 2000- 2005 (CGFS, 2007). Consequently, both banks and other financial institutions gained high profits by lending governments.



[1] Comprises 142 emerging and developing countries and five small open economies as defined in the IMF WEO 2008 October database. [2] Argentina, Brazil, Chile, China, Colombia, the Czech Republic, Hungary, Hong Kong SAR, India, Indonesia, Korea, Malaysia, Mexico, Peru, the Philippines, Poland, Russia, Singapore, South Africa, Taiwan (China), Thailand, Turkey and Venezuela. [3] In billions of US dollars. DI = direct investment; PI = portfolio investment; OI = other investment.

Sources: IMF, *Balance of Payments Statistics* and *World Economic Outlook*; Central Bank of China (Taiwan).

Figure 2.2. Net Private Capital Inflows to Emerging Markets

Thanks to dominant regulation and reform agenda in "emerging markets" in the last two decades, there has been realized both financial deepening and consolidation of neoliberalism. It is clear that foreign capital inflows expanded at rapid pace. As mentioned previously, a large volume of foreign private capital, mostly in short-term and foreign currency was used to finance a current account deficit in many emerging economies due to an excess of domestic investment over savings. Although between 1997 and 2001, developing countries faced with sudden capital outflows resulted in many severe financial crises with worldwide repercussions, capital flows revived to developing countries between 2002 and 2007, which fostered the financialization of developing countries. The third graph shows that direct investments as well as the portfolio investments increased significantly in the last decade. In fact, the share of developing countries as the receiver of global FDI has been growing drastically.

What I want to say is that developing markets have been discovered not only by speculative capital, but also by capital fractions, which look for cheap production possibilities. To illustrate, annual FDI flow to China as ratio of GDP raised from 7% in 1978 to 40% by 2002 and half of it went to manufacturing industries (Harvey,2005: 135). Besides the integration of developing countries into the new global financial system, production system of developing countries has allowed capital to flow into countries. Unlike 1990s, these capital inflows have led either to reduce their current account deficit or to move from deficit to surplus in many developing countries[7]. As Boratav (2009) pointed out that low labor costs, salient productivity levels, targeted exchange rates and relatively controlled capital accounts played role in the trade surpluses particularly in China and India, however, East Asian and Latin American countries tried just to reduce the current account deficit in order to service external debt by increasing foreign exchange reserves. Put it differently, developed countries relocated production into labor abundant countries with low costs of production and gained ability to hold largest amounts and rates of surplus value, which was one of the major aims of the Washington Consensus.

Additionally, inflation targeting (IT) become a major monetary policy of the not only “emerging market” economies but also the advanced industrialized countries in the 2000s. IT was first introduced by developed countries such as New Zealand, Canada, the United Kingdom, Sweden, and Australia and then, developing countries have also adopted IT, for instance, Brazil, Czech Republic, Chile, Colombia, Indonesia, Israel, Hungary, Poland, South Africa, Thailand, Korea, Mexico, Peru, The Philippines, Slovak Republic, Romania and Turkey. An institutional commitment to price stability, absence of fiscal dominance, policy transparency and accountability and also policy instrument independence are the five components of IT (Ergüneş, 2009). Further, the adoption of IT has crucial implications for the governments of developing countries which try to attack inflows of foreign capital since the motivations behind the implementation of IT were minimized the inflation rate and deepening the financial markets so as to achieve high growth rates.

To sum up, through the neo-liberal transformation of developing countries, the process of financial liberalization and financial crises led to the change of the mode of

[7] As expected, there are differenced among developing countries, to illustrate, Brazil and Turkey were among the ones whose current account deficits increased through the 2000s.

integration of “emerging markets” into the global economy in the 1970s and 1980s. The opening up of developing countries to free trade and the liberalization of capital account bring about huge capital flows from developed to developing countries, which resulted in growing current account deficits, significant instability on exchange rate markets and a significant vulnerability to crises. Moreover, the liberalization of capital account, changes in public deficit management and monetary policies have deepened the dominance of finance in these countries, which have been imposed to developing countries by IMF and the World Bank in return for granting credits and debt rescheduling. All of these turned to enormous social and economic costs for developing countries. On the other hand, 2000s was characterized by the accumulation of international reserves whose aim at protecting developing countries from sudden reversal of international capital flows, at the same time, allowing them more actively to participate in the global financial markets. Consequently, capitalist in developed countries benefitted from these process by using of interest differential and appropriated fractions of the surplus value created abroad. It should be underlined also that the rapid buildup of consumer credits added a new dimension to financialization of developing countries but I will deal with this issue at the third chapter with a special focus on the Turkish economy.

2.4 Conclusion

The financialization has been as a way of the function of the organizing and governing the world economy. Although financialization has been a process occurring primarily among advanced countries, the financialization in late-capitalist countries so-called developing countries relatively new, entailing not only structural transformation of domestic financial system but also the interaction between domestic economy and global finance. Through this chapter, I tried to give a range of alternative usages of financialization in the literature, however, instead of presenting a broad overview of these alternative approaches, the attention is paid to the heterodox literature on financialization, focusing on the problems of the real economy as the determinant of the process. However, as Saad-Filho pointed out (2011: 243), “financialization is not a distortion of a ‘pure capitalism’ or the outcome of a financial sector ‘coup’ against productive capital. It is, rather, a structural feature of accumulation and social reproduction under neoliberalism. By saying so, in fact we have given the answer to this question: has capitalism entered a new stage? Once more, even though the system has changed thanks to financialization since main problem of accumulation within production remains unchanged. In fact, the role of finance in the capital relation under neoliberalism cannot be confined within the banks and institutional investors such as stockbrokers, insurance companies, pension funds, also industrial capital itself to appropriate an increasing share of the profits from finance. What is uniquely characteristic of current period of capitalism is the deepened and broadened of financialization and proliferation of social inequality not only among countries but also classes.

In this light, an analysis of financialization is required to take into account of multidimensional transformations which have taken place in the economies and societies both advanced economies and emerging markets. Nevertheless, it remains unsolved whether the financialization literature can analyze fundamental transformations and contradictions of global capitalism as well as national economies because as it was seen that particular definition of financialization necessarily leaves many aspects of global and national transformations out from the analysis.

The first problem related with financialization literature is the lack of a comprehensive discussion of developing world regarding the strategy and transformations, that is, what financialization brings about and what kinds of roles played by emerging markets with regards to the causes of financialization. This problem remains unsolved except the study of Becker et al. (2010). Furthermore, the role played by state and the transformations of state apparatus and state intervention was neglected and/or touched upon with partial references, although the state was there from the very beginning of financialization. It should be underlined that the state is not just an actor to be resorted in the cases of crisis to ensure reproduction of the mechanisms which seems to lead to the same crises. As Fine underlined that state played role for both the moderation of the impact of financialization and sustainment of the process. To cut long story short, financialization should be grasped in political terms since the extension of the logic of capitalization and provision of legal framework for financial transactions are the intended outcome of economic and political decisions that takes their roots in the objective and structural conditions of the capitalist mode of production. After discussing the background against which financialization is to be understood, the following chapter concentrate on the developments in the Turkish economy in order to clarify the dynamics behind the rise in consumer credit among wage-earners in Turkey.

CHAPTER 3

FINANCIALIZATION OF TURKISH ECONOMY

In this chapter of my thesis, I focus on the financialization of the Turkish economy since 1980s, but paying particular attention to the years after the 2001 crisis era, when household indebtedness gained prominence. As stated in previous Chapter, a coherent analysis of financialization and the rise of indebtedness requires a broad look at socioeconomic, political and historical dynamics, that is, capital accumulation process of any country under consideration. By considering the specific characteristics of Turkey as a developing country, liberalization and integration into the world economy shaped Turkey's financial institutions and have an impact upon its financialization process. Since the late 1970s and early 1980s, neoliberal economic policies have changed the role of the state in economy. However, financialization cannot be seen as a tension between the state and private sector because the state is not viewed as an entity which transcends social relations. As we will see that state in Turkey was the driving force behind financialization in the late 1980s and 1990s and its role continues through 2000s.

In the first sub-section, I will very briefly glance at the Turkish economy between 1980- 2001. This will help in understanding the development of neoliberalism in Turkey. Moreover, the state of affairs with its integration into world economy and why Turkey liberalized its capital account in 1989. This chapter highlights that changes occurred in its financialization process in the 1990s as the banking sector shifted from conventional banking operations, that is, lending to enterprises, to financing the public deficit by investing in treasury bills and government bonds. This summarizes a vital aspect of financialization of the Turkish economy during this period. In this part, I will provide a simple picture of the reality and so try to indicate the major development of class relations since this situation resulted in a remarkable income transfer from public resources to Turkey's large conglomerates thanks to their interlocking ownership of both banks and corporations.

Due to financialization in Turkey acquired a new characteristic in the 2000s, in the second section, the period starting with 2000 will be analyzed chronologically. It will be concentrate on conventional indicators such as GDP growth rate, inflation, capital flows, trade, debt indicators, production structure, productivity, wages and unemployment, etc. Discussing these topics, it is important for our purpose, not only highlighting the development of class relations, but also especially, illustrating the reasons behind the rise in household debt in Turkey.

This chapter proceeds as follows. Section 3.1 gives a simple picture of the liberalization of the Turkish economy in the post-1980 period and gives an overview of the events end up with the 2001 crisis. Section 3.1.2 specifically focuses on the post-2001 crisis era which has been characterized by Turkey's growing integration into the world economy and looks at the dynamics of the banking sector post-2001 period. The section 3.2 will elaborate financial flows driven cycles and debt-led consumption boom. The section 3.3 will summarize and draw conclusion.

3.1 Liberalization in the Post-1980 Era

Turkey initiated its long-process of integration with the world economy in 1980 under military intervention. This brought about profound changes for the accumulation model (shift from import substitution to export orientation), relations between classes and within capital fractions. In fact, the economic and ideological ground of policy shift was already prepared with the policy package of 24th January 1980. The decade was characterized by shift from an Import Substitution Industrialization (ISI) strategy to Export Orientation Industrialization (EOI) strategy. During 1960s and 1970s, the capital accumulation based on ISI which was compatible with the needs of newly maturing domestic bourgeoises and/ or conglomerates in Turkey.

Although banks were seen as the dominant actors in the financial sphere, they were strictly controlled by the state at that time. In fact, governments determined the rules related with the exchange rates, interest rates and loan limits so as to meet the financial requirements of protected industries. In fact, the nearly 75% of loanable funds were allocated as credits for industries (Denizer, 2000) because state wanted to empower its domestic bourgeoise. In the late 1970s, conglomerates reached a certain maturity and demanded extra funding opportunities. However, financing industrial investment became increasingly difficult at the end of the decade (Yeldan 1994). While the ISI strategies reached its limits in the that period, the economy was also hit by oil shocks. Consequently, Turkey faced with severe shortage of foreign exchange and debt payments problems. Through the 1980s, several economic reforms were implemented in Turkey to overcome the shortcomings in its economy like happening in many other developing countries. This entailed a strong devaluation of Turkish lira, deregulation of private sector prices and price increases for the state economic enterprise products and services. The increasing taxes and reducing spending were used for reducing fiscal pressure. The export was promoted through heavy subsidies. Additionally, governments tried to support import by the elimination of many items from the import quota list. The main goal was to convert to economy from an import substitution regime to an export-led one and to integrate Turkey’s big conglomerates into the world economy in order to overcome foreign exchange constraint.

IMF and World Bank get on the stage with generous structural adjustment loans, debt relief and technical aids (Boratav, Yeldan and Köse, 2001: 318). The neoliberal restructuring process started with the liberalization of the foreign trade and followed by several other financial liberalization measures. The banks interest rates were deregulated, exchange rate was adjusted by daily basis especially after military intervention on 12 September 1980. So-called “political stability”, an export –driven economic recovery began in 1981. Additionally, the restrictive monetary policy was implemented via credit controls by central bank which leads to a crucial reduction in the inflation rate from 105% in 1980 to 28% in 1983, however, inflationary pressure intensified in 1984-85 (Celasun and Rodrik 1989: 204). Nevertheless, between 1982 and 1983, there were no major moves towards the further liberalization of domestic and external markets. The second stage started under the civilian government of Turgut Özal in November 1983. New economic policy brought about further liberalization of current account and an elementary deregulation of the capital account. This policy framework provides unique openness to the Turkish economy on merchandise trade and invisible transactions. Moreover, in the area of fiscal management, government introduced further measures to increase strengthen the bank supervision system and to allow foreign commercial banks to enter Turkey's financial market. The liberalization of foreign exchange trade allowed residents to hold foreign currency deposits in domestic banks in 1984.

In 1985, government security auctions were introduced and government started to issue treasury bills and bonds to finance its budget deficit. The interbank money markets were created to facilitate asset liability management and Istanbul Stock Exchange was reopened in 1986. In 1987, the central bank started to intervene in the financial market via open market operations. Furthermore, the borrowing from the international market has been increasingly allowed by the authorities in order to utilize short-term credits and foreign exchange deposits in their trade- financing operations. Nonetheless, banks started to operate in capital markets, to purchase government debt instruments (GDIs) and to engage in foreign exchange transactions. All of these policies helped generate a positive macroeconomic performance in the short-run. Even though MCKinnon- Shaw (1973) hypothesis claimed that financial liberalization and deregulations of interest rates result in increasing savings and more efficient allocating of resources and so higher levels of investment and growth, the experience of Turkey did not confirm these claims regarding a shift of portfolio selection from unproductive assets to those favoring fixed capital accumulation and economic growth. In the case of Turkey, foreign exchange deposits and public securities became forefront in the period and so Turkey debt servicing burden has increased substantially (Celasun and Rodrik 1989: 200). Turkey decision to finance its public sector borrowing requirement[8] by issuing GDIs instead of taxing capital was a strategic one because the crisis encountered in the second half of the 1970s due to foreign exchange constraints had gave significant harm the fiscal positions of Turkey's large corporations. Therefore, government finds another way of raising funds by auction government securities in 1985. Consequently, banks started to buy the majority of GDIs issued. Treasury statistics illustrated that the ratio of domestic

[8] While the ratio of PSBR to GNP was 4.2% on average between 1981 and 1986, it rose 8.6% between 1987 and 1993, (Karaçimen, 2013: 109).

debt financed by banks was around 90% in 1988.

3.1.1 Financializing Turkey

Turkey faced with the outstanding growth of public expenditures which led to an expansion in fiscal deficits and public sector borrowing requirement. The external debt stock has increased from $16.9 bn. in 1981 to $31.2 bn. in 1986 which means the ratio of external debt to GNP almost doubled. The short term external debt stock has risen from $2.2 bn. in 1981 to $6.9 bn. in 1986 (Yeldan, 2012: 129). This means that the short term external debt stock more than tripled in five years. On the other hand, the ratio of direct tax revenues to total declined from 64.5% in 1981 to 47.7% in 1985. Hence, all of this portrayed the limitation of the sustainability of accumulation model. Over this period under a regulated foreign exchange system and controls on capital flows (i.e. from 1981 to 1988), the integration to global markets was achieved mainly through commodity trade liberalization.

Thus, main instruments for the promotion of exports and macroeconomic stability was based on the exchange rate and direct export subsidies. More importantly, the characteristic of period was also depended on the severe repression of wage income via hostile measures against organized labor. Put differently, export subsidization together with the decline in wage costs and the devaluation policy were the characteristic of the period which enable the surge in export revenues but this mechanism entails significant inner contradictions. This contradiction lies behind that foreign exchange was earned by private sector whereas foreign debt servicing was carried by public sector. This duality necessitated specific mechanisms for the transfer of foreign exchange from the private to public sector. Consequently, this classic model of surplus creation came to its economic and political limits by 1988.

The growing public expenditures resulted in deteriorating budget balances rather than stimulating economic growth. Furthermore, both domestic and foreign debts increased rapidly. Moreover, the interest payment as the percentage of consolidated budget has risen from 4.9% in 1981 to 23.2% in 1988, in turn, the government applied to borrow short-term at high real interest rates. This revealed that the long-term sustainability of the accumulation model was not possible. Therefore, trade liberalization was followed by liberalization of the capital account and the convertibility of the Turkish Lira (TL) in 1989. Foreign exchange controls on capital outflows were removed, and both the current and capital accounts were completely liberalized. Capital account liberalization was concomitant to the strategy of integration of Turkey to global markets. Although the foreign exchange regime had already been liberalized in certain respects in 1984(such as current account convertibility and allowing residents to hold foreign currency deposits in domestic banks and allowing limited foreign exchange transactions), but new legislation lifted restrictions on financial transactions by residents and non-residents alike and so economy started to expose crucial international capital flows. Consequently, domestic economy witnessed a massive inflow of mostly short-term foreign capital, so-called foreign exchange gap which had constrained the growth potential of Turkey for many years, seemed to have been relieved.

Dependence on the speculative short-term capital flows necessitated a higher return on domestic assets in order to solve the problem of nominal depreciation of Turkish lira (Balkan and Yeldan 2002: 47). Through the 1990s, in fact, the interest rates on government debt exceeded the inflation rate on average, by more than 30% points (Akyüz and Boratav 2003). On the other hand, the public-sector deficit was increasingly financed through commercial banks which borrowed from abroad. With the impact of the high interest rates on government bonds, the public deficit and short-term domestic borrowing started to increase again. Put differently, the rate of interest earned on dollar deposits rose rapidly and outcome was an increasing public debt and emergence of financial system which came to depend on arbitrage margins offered by high rates on government debt in comparison with international borrowing and domestic deposits, including forex deposits in spite of large currency risks. The results were severely rise in public debt stock. The main characteristic of domestic debt was its short- termism which resulted in a trap of short-term rolling of debt, which can be depict as Ponzi financing. In contrast to expectations, the increasing inflow of foreign capital resulted in growing trade deficit and current account deficit with the effect of overvaluation of domestic currency (Balkan and Yeldan 2002: 43). Also, the burden of high interest rates payments worsened fiscal balance which contributed the rise of crisis in 1994. This led to drastic devaluations and a rise in real interest rates which had a severe impact on the banks due to their open positions in foreign currency. In the aftermath of the 1994 crisis, banking sector faced with the confidence crisis and so government began ensuring all saving deposits against this confidence crisis.

In the second half of the 1990s, there was not a major change in banking activities and so financing public sector deficit continued as the dominant activity for the banks. Therefore, closed foreign exchange positions reopened shortly after the crisis and the state played a pivotal role in shaping the financialization process. If we look at BAT statistics, the ratio of loans to total bank assets was around 40% during 1990s. It can be concluded that banks did not take role in financial intermediation in Turkey and also financial structure did not undergo significant change. To illustrate, the percentage of trade credits in the composition of corporate sector liabilities fluctuated around 20% in the 1990s which was almost equal to the share of bank credits[9] When this was compared with typical bank based economies such as Germany where the ratio is above 50%, this level is quite low in Turkey (Aydın et al. 2006). As already mentioned, the role of the state and ownership structure of banking sector in Turkey is one of the reason for the differences. State, not only put the regulation that banks have to keep government securities in their portfolio which could be converted into cash at any time[10], but also paved way for banks' heavy engagement in public deficit financing.

Further, getting high profits from financing the public deficit fostered conglomerates to acquire ownership of banks. In other respects, ownership of banks allowed them to access to cheap credits and solve their financing problems. While 29 out of 31 commercial banks in Turkey were holding banks in 1996, but the acquiring a new banking license become a highly political issue (Gültekin & Karakaş 2009). The attraction to high yield public securities and the growing public-sector deficit gave way for a transfer of income from the state to these holding groups which serve as a mechanism of income transfer in Turkey. Thanks to interlocking ownership of both

[9] See Central Bank, Company sector accounts data.

[10] The percentage banks were required to invest in Treasury securities for the purpose of liquidity increased 35% in 1991 from 10% in 1983 (Binay& Kunter 1998).

banks and corporations, Turkey's large conglomerates were the major beneficiaries of this change.

Consequently, financialization should not be perceived as a tension between productive and financial capital even if high real interest rates favor the latter and adversely affect the former. This transfer mechanism reflects the role of the state as condensation of class forces par excellence. The public-sector interest payments, to illustrate, as ratio to GDP increased steadily and approximated 18% in 2001, a level nine times higher than the one in 1989[11]. The state explicitly reallocated public resources not for the public interest but for private interest of conglomerates. In fact, the ratio of interest payments to investment to investment expenditures of public sector fluctuated around 400- 500% in the second half of the 1990s, strikingly enough, soaring to 700% in 2001[12], however the sum of the share of social security expenditures and the transfers to SEEs did not reached half the share of interest payments in total expenditures during this period, except in 1991.

Although public and political discussions were focused mainly on social security expenditures that allegedly accounted for fiscal imbalances, the role and magnitude of interest payments were intentionally ignored. Indeed, this discourse help legitimizing the privatization of SEEs and the social security system in order to disburden the budget. However, the functioning of this whole mechanism was not risk-free. The share of foreign exchange deposits in total deposits increased from 16.3% in 1989 to 30.7% in 1997. The open position of the banking sector doubled in the period 1996-1999 (Ertuğrul & Yeldan 2003: 58). Another important point, of course, is often argued whether or not this situation led to crowding out for private investment. First of all, it is empirically difficult to prove whether high earning opportunities from GDIs resulted in crowding out of investment because, besides the drastic increase in interest incomes of banking sector, the ratio of non-operating income of the biggest 500 industrial firms to total profits also increased significantly which was around 30% during the 1980s, it rose sharply in the following years, reaching 219% in 1999 and peaking at 547% in 2001 (Istanbul Chamber of Industry, 2008).

[11] See Ministry of Development Database, Public Sector Balance.
[12] See Ministry of Development Database, Some Indicators Related to the Consolidated Budget.

In a nutshell, Turkey's attempts to liberalize its financial system began in 1980s as a response to its foreign debt repayment problems. The major change stemmed from shifting public sector deficit financing from the direct monetization of Central Bank to commercial banks in the 1980s. However, this pattern of public deficit management created serious fragilities in the banking sector and the economy as a whole. In 1999, the chronic inflation, high interest rates and public deficit put the pressure heavily over the economy. In December 1999, as a result, government launched on IMF-led disinflation program which aimed at tightening fiscal policy, reducing inflation by stabilizing exchange rate and implementing structural reforms (BSB 2006). Despite the initial success of programs, due to price stickiness in Turkish economy, inflation kept growing and so cause currency appreciation in real terms (Akyüz& Boratav 2003) which in turn created expectations of devaluations. The stability proved to be short-lived in 2000. With the appreciation of the TL and the impact of Custom Union with EU gave rise to the rapid expansion of the current account deficit by the end of 2000 which led to its severe crisis in February 2001 which had devastating outcomes for the economy. Within exactly one year of November 2000, a net capital outflow of $18.1 bn.[13], indicating the severe extent of the crisis. While the GNP contracted by 9.5%, the rate of unemployment soared from 6.5% in 2000 to 10.3% in 2002.In the aftermath of 2001, there were profound changes in monetary and fiscal policies which had great implications on banking sector.

Next sub-section will give a detailed analysis of post-2001 developments of the Turkish economy and the attention will be paid to several socio-economic transformations because the pattern of economy has changed significantly after the 2000-1 crisis. This will enable us to make an assessment between rising household indebtedness and changed dynamics of capital accumulation process of Turkish economy in the age of financialization.

[13] See Central Bank of Republic of Turkey Database, Balance of Payments Analytic Presentation, capital inflow by non-residents of $-13492 million, plus a capital outflow by residents of $-114 million, plus net errors and omissions of $-4499 million.

3.1.2 Post-Crisis Characteristics of Growth (2001-2012)

The crisis of 2000-2001 was both a crisis of the banking sector and a currency crisis, in other words a situation of "twin crisis", in which a balance of payments crisis takes place simultaneously with the crisis of the banking sector (Yalman, 2004; Türel, 2010). The GDP declined 5.7% and currency depreciated almost 54% against USD in 2001 (Güngen, 2012: 190). Not surprisingly, the monitoring of IMF continued during the post- crisis year. The government adopted a new program called as Transition to Strong Economy in order to eliminate "the confidence crisis" and "financial instability" in the economy. The burden of adjustment fell disproportionately on the laboring classes since the rate of unemployment rose steadily by 2 percentage points in 2001 and then another 3 percentage points in 2002. Indeed, real wages decreased suddenly by 20% upon impact in 2001 (Yeldan, 2007: 4) and could not recover.

As it was prior the crisis, the IMF has been involved in the macro management of Turkish economy, combating inflation was the main objective of macroeconomic policy for Turkey. At first, this disinflation program appeared as successful but when we come to 2000, it started to produce economic and political crisis in November 2000. In February 2001, the currency peg had to be abandoned, replaced by free floating exchange rate regime with the advice of the IMF (Ergüneş, 2009: 7). The IMF has been involved with the macro management of the Turkish economy as it was before the crisis, the government adopted Transition to Strong Economy program. Between 1999 and 2003, IMF provided financial assistance of $20.4 billion, net. While $ 13.3 bn. of it was used in financing the domestic debt of the Treasury, $7.5 bn. were used by the CBRT for strengthening its foreign reserve position (Yeldan, 2006: 209). Following the crisis, Turkey has implemented an orthodox strategy of raising interest rates and maintaining overvalued exchange rate. IMF put pressure on government to follow a contractionary fiscal policy and promised to reduce subsidies to agriculture and accelerated privatization and reduce the role of public sector in economic activity to eliminate fiscal failure (Yeldan,2006).

However, their emphasis on fiscal failure does not fit with the facts because public revenues exceeded their targets by 3.6% in 2000 and 5.1% in 2001 while in 2000, the expenditures were even lower than the targeted level by 0.2% and in fact, exceeded the target by 1.7% in 2001. Furthermore, the ratio of the primary budget surplus to GNP – against a target of 3.7% – amounted to 6.1% in 2000 and 6.7% in 2001 (Yeldan, 2006, 205). Therefore, the holding the fiscal failures responsible for the crisis can be mere propaganda for disguising the underlying mechanisms but this impression was successfully created for further imposing and consolidating neoliberal policies. In this light, the new program was prepared under Kemal Derviş's special guidance to lead the country out of the crisis. The program was introduced on April 14, 2001 under the grandiose title 'Transition to the Strong Economy Program' (TSEP). It was associated with the structural reforms of Post- Washington consensus, which are known as Kemal Derviş laws in Turkey.

The main goal of the program was defined as to eliminate the crisis of confidence and to prevent the reemergence of this situation**.** The program rested on three areas which are namely banking, public and private sector. The first pillar was related with the restructuring of the banking sector, both public banks and private banking system. Marois (2009) argued that the first tenet is about the "socialization of debt" as seen in Treasury's injection of government securities to public and SDIF banks. As a result, the recapitalization of banks started, a stock of $27 bn. of duty losses and interest receivables were eliminated by the state. In the meantime, amounting to $8 bn. debt swap was used for reducing the banks' short foreign exchange position through swapping the banks' foreign exchange-based government securities with lira-based securities with longer maturity (Bakır and Öniş, 2010: 88). In fact, in 2001 government transferred a sum of about $40 bn. of financial resources to the banking sector, constituting approximately one fourth of the GNP of that year (Yeldan, 2006). In short, significant portion of public revenues was used to secure the debt rollover. Once more, state activated its class character on the behalf of capital, particularly, financial capital.

Second pillar was about the improvements in public governance, including public administration reform and maintenance with public expenditure management reform. This brought about the formation of regulation agency and measures for more strengthened sector. As Marois indicated, this tenet is based on "the internationalization of the state's financial apparatus" and this is explicit in the impact of EU accession in financial policy formation. In other words, the establishing more muscular financial institutions was most important aspect of program for better management of domestic financial system. On the other hand, the crisis was used for the elimination of some business groups from banking sector due to strong competition among these groups. (Gültekin- Karakaş, 2007- 2009). The third pillar was about the private sector reforms, concerned privatization, corporate governance, encouraging entry of foreign capital, and public administration reform in order to catalyze investments. The restructuring process is, therefore, clear attempt of Turkish bourgeoisie to overcome structural obstacles in search for an environment more conductive to capital accumulation (Gültekin-Karakas and Ercan, 2008; Gültekin-Karakas, 2009). In a little more detail, the IMF program is based on the fiscal austerity which targets a 6.5 percent surplus for public sector in its primary budget as a ratio to gross domestic product. Further, through a contractionary monetary policy via "independent central bank" only aims at prices stability by inflation targeting. This means that central bank was divorced from all other concerns of macroeconomic aggregates.

With the achievement of the fiscal and monetary targets, the credibility of the Turkish government would enhance and become able to decrease in interest rates which would eventually stimulate private consumption and fixed investments, in return bringing about sustained growth. Yeldan (2007: 5) argued, the program is alleged what is implemented is actually an expansionary program of fiscal contraction. In fact, Transition to Strong Economy program as implemented after the 2001 crisis, was conformed to the pre-crisis agreement with the IMF in terms of the aims of restructuring banking sector, privatizations and reform of social security system. Moreover, as a reflection of this IMF program, the economic program of JDP governments did not aim to restrain capital flows which lead to cyclical patterns of growth and crisis. Not surprisingly, Turkey experienced high rates of GDP growth thanks to capital inflows in the aftermath of 2001 crisis like many other emerging markets. The IMF surveillance however, continued until the peak of recent international financial crisis. Following to initial steps, various laws were enacted to improve the investment environment. Further, steps were taken to enhance transparency, budget discipline and accountability in the public sector and so independent regulatory and supervisory agencies were established in accordance with TSEP.

At the beginning of 2005, six zeros were dropped from currency for regulating inflation but the formal inflation targeting started at the beginning of 2006. Although major aim of the program is the achievement of fiscal discipline, the public debt to GDP ratio jumped to 74% at the end of 2001 from the previous year-end level of 38%, mainly as a result of the bank restructuring efforts (Özatay, 2011: 252). Despite this unpreceded debt ratio, policymakers stuck to fiscal discipline. Consequently, the general government budget was almost balanced as of the end of 2007 and public debt was reduced to 40% of GDP. Thanks to the favorable external conditions, most of the macroeconomic indicators improved, the average inflation rate declined to 19.4% per annum between 2002- 2006, however the problem of current account deficit and persistent unemployment cannot be solved. The performance of the economy is captured by focusing on a series of macroeconomic indicators presented below.

Even though the2001 crisis has been described as worst economic crisis that the Turkish Republic has experienced since its foundation in 1923 (Ergüneş, 2009: 8), the resurgence of the economy out of the crisis was strikingly quite sharp. To illustrate, the growth rate of GDP turned from - 5.7% in 2001 to 6.2% in 2002. In fact, the average growth rate was 7.2% per annum between 2002-2006. Further, price movements were finally brought under control through the post-crisis adjustment policies which reached single digit levels by 2005. The effects of the global economic crisis over the Turkish economy can be seen from growth rate. As a reflection of the structural weaknesses and the dependency of the domestic economy on foreign capital inflows, economic activity slowed down already in 2008, GDP grew by only 0.7%. The stagnation turned into contraction of 4,8% in 2009. However, in 2010, it was realized a quick recovery, the growth rate of GDP rose to 9.2% and then 8.8% in 2011, but again entering a downward trend in 2012, it was realized as 2.2%.

However, it should also be underlined that the Turkish economy as a whole did not feel the impacts of the global economic crisis like US and EU countries. However, exports and capital flows were the two channels through which the global crisis had an impact on the domestic economy. The budget did not run a primary surplus for the first time since the 2000s. Under the influence of global crisis, the budget deficit as ratio of GDP exceeded the threshold of 2% and reached 5.5% between 2008 and 2012 (Özatay, 2014: 47). In the following years, the ratio of the budget deficit to GDP has declined, in 2012, this ratio was reduced 2.1%. As can be seen in the table 3.1, the same holds for the public sector borrowing requirement which was negative in 2005 and 2006 and zero in 2007 but jumped to 5% in 2009 but declined 1.7% in 2012. The deterioration of macroeconomic indicators as a result of global crisis was followed by the deterioration in the public-sector balance due to while the meager 2% increase in public revenues, in return, increase in expenditures, 18.1%. Additionally, high level of current account deficit challenged to the sustainability of growth and the macro-economic stability of the economy. Table 3.1 clearly indicates that the current account deficit has increased tremendously in the post-2001 era as a percentage of GDP and also in terms of amount.

Table 3.1. Main Macroeconomic Indicators (% of GDP)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP growth rate	6.8	-5.7	6.2	5.3	9.4	8.4	6.9	4.7	0.7	-4.8	9.2	8.8	2.2
CPI annual average	55	54.4	45	25.3	10.6	8.2	9.6	8.8	10.4	6.2	8.5	6.4	8.8
Interest payment	12.3	17.1	14.8	12.9	10.1	7.0	6.1	5.8	5.3	5.6	4.4	3.3	3.4
Primary budge	4.4	5.2	3.3	4.0	4.9	6.0	5.4	4.2	3.5	0.05	0.75	1.88	1.39
PSBR	8.9	12.08	9.99	7.33	3.64	- 0.3	- 1.8	0.07	1.62	5.05	2.36	0.14	1.73
Current Account Balance	-3.7	1.9	-0.3	-2.5	-3.7	-4.6	-6.1	-5.9	-5.7	-2.0	-6.2	-9.7	-6.2

Source: Ministry of Finance Database, Main Economic Figures and Ministry of Development Database, Consolidated Budget Balance (Ratio to GDP), http://www.bumko.gov.tr/EN,2677/statistics.html.

Although it is mostly claimed that low saving rate is the main reason for raising current account deficit, as Öniş (2010) pointed out the large bulk of the current account deficit stems from the deficit in commodity trade, that is, the difference between exports and imports. Hence, remedy of current account deficit is based on -

one size fits all approach- spending less and saving more. However, this line of thinking carries some problems. First of all, current account balance is monetary expression of economic transactions so it is not homogenous unit. Secondly, as will be elaborated below, while most of Turkish imports composes of intermediary products, spending less cannot automatically solve the problem due to the fact that it has caused the slowdown of domestic production. As experienced in past crises, improvement in current account deficit with a reduction in spending can only be achieved at the expense of economic recession. Lastly, spending less cannot directly trigger producing high value-added products and increase competitiveness in international market.

The restructuring of Turkish industries parallel to the transformation of the macroeconomic policy and the new global division of labor has been also shaped by international organizations such as IMF and World Bank. They pushed for reforming the "business climate" to boost investment and competitiveness in developing world (Cammack, 2006), but also the Customs Union with the EU have played a role in this transformation. At domestic front, if the eighth Five Year Development Plan (2001-2005) was elaborated, it will be seen that the industrial policy and investment oriented strategy became one of the most important parts of the plan. In the meantime, the favorable liquidity conditions in the 2000s made ease to access of funding opportunities. The main objectives were listed as "increasing competitiveness and productivity of the industry and promoting and maintaining sustainable growth within an outward oriented structure, in the face of increased global competition" (SPO, 2003: 44). In accordance with export-oriented strategy of eighth Five Year Development Plan, the new industrial strategy required a shift in the technological composition of production. It is stated in the Industrial Policy for Turkey document that "policies ensuring a transition of the industrial structure from consumer goods, raw material and labor-intensive goods to information and technology intensive goods and increasing market share by creating new technologies shall be considered" (SPO, 2003: 46).

Table 3.2. Annual Change in Production by Technological Intensity

	1997-2001	2003	2007	2012
Production				
High	2.91	5.7	3.4	3.5
Upper-medium	-5.19	21.9	23.2	24.1
Lower-medium	-1.73	25.5	34.8	33.2
Low	-0.36	47.0	38.7	39.1
Export				
High	24.6	6.2	4.5	3.7
Upper-medium	14.03	24.3	32.8	31.4
Lower-medium	6.51	22.8	29.7	31.5
Low	2.7	46.8	33.0	33.5

Source: TÜSİAD (2009) & TÜSİAD (2014)

An analysis of the composition of production reveals that there has been the intended shift from low-value added goods to high-value technology goods. In the light of table 3.2, the tendency of the manufacturing industry to transform towards the medium-technology sectors is observed in the production structures. Policies to change the technological structure of the manufacturing industry require a lengthy process of evaluation since production witnessed structural transformation especially after the 2001 crisis. As Ergüneş (2009: 14) pointed out, the strategy of export-orientation, the Customs Union with the EU, the removal of agricultural support, restructuring of finance and migration from rural areas into the cities have played significant role in this transformation. It can be observable from the table above that production rose distinctly in sectors where technological intensity is above average. In that vein, export rose this kind of sectors especially in electrical machinery and motor vehicles (TÜSİAD, 2014: 50). However, the production and export of sectors such as textiles, apparel, food and tobacco remained below the average growth rates (TÜSİAD, 2007: 35) since Turkey has been intensely involved in trade network and cross-border production, especially for certain sectors of the industry including motor vehicle and electrical machinery and apparatus (Taymaz & Yılmaz 2008).

While traditional manufactured exports lose their competitiveness, the advantage of low cost imports has contributed to the emergence of new production and export lines. In the period between 2009- 2012, machinery and equipment manufacturing was the fastest growing sector with a stable CAGR (compound annual growth rate) of 19%, then chemical manufacturing come with 9.4%, followed by durable consumer goods manufacturing with 9.2% CAGR, while total manufacturing grew with a CAGR of 15% in the same period. Moreover, the remarkable rise can be seen in exports; the annual average growth rate of exports in this sector was 23.5% between 2002 and 2007. However, the ratio of export to GDP did not changed importantly, increasing from 15,6% as a percentage of GDP in 2002 to 19,4 in 2012 (Investment Support and Promotion Agency of Turkey, 2014: 52).

Overall, new strategy required a shift in technological composition of production but Turkish capitalists as expected, did not renounce from cheap labor and row material abundance, although the main objective was listed as moving to production of high value-added goods and services in technology- intensive sectors such as automotive, machinery, home appliances and electronics instead of production in labor intensive sectors, such as clothing and leather and textiles. The annual average increase in manufacturing industry as a whole was 4.1%, whereas 1.0% in consumer goods, 4.1% in intermediate goods and 7.6% in investment goods (Yükseler and Türkan,2008: 58). Nevertheless, although the production and export of high-value technology goods have gained weight in Turkey, it is apparent that overall production still depend on intermediate and consumer goods. The reason behind this can be explained such that production intensified particularly in sectors, using a high ratio of imported inputs. This point will be clearer after we look closely at the export and import items.

The figure 3.1 illustrates that the ratio of import and export as a percentage of GDP reached 27,2% and 18% in 2008, respectively. Further, the ratio of export to import declined to 64,5% in 2012 from 75,7% in 2001, showing that an increase in export was not enough to narrow the trade deficit. While export grew by an annual average rate of 23% between 2002-2008, yet import increased by 25,6%. As it will be discussed below, the higher growth of import relative to export is associated with the Turkish economy's dependency on imports.

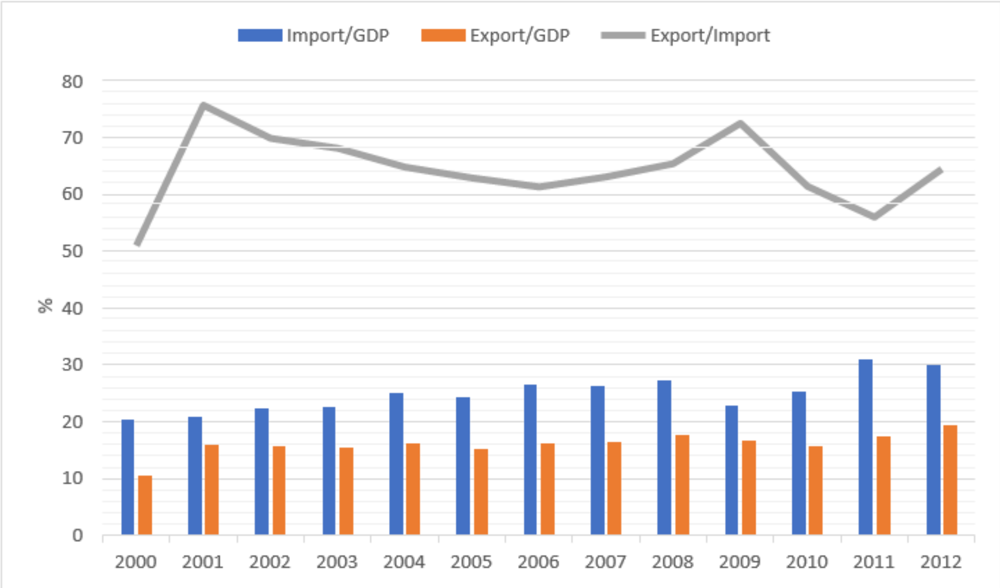


Figure 3.1 Export-Import Ratio

Source: Undersecretariat of the Prime Minister for Foreign Trade

https://www.treasury.gov.tr/en-US/Stat-List?mid=740&cid=26&nm=756.

Due to the production of means of production in Turkey has not yet been sufficiently developed, a shift towards production and export of higher value-added goods has necessitated importing intermediate goods, which can be understood as a peculiarity of late development. Even though overall production still relies heavily on intermediate and consumer goods, from the table 3.2, the production of technology-intensive and investment goods has gained weight in Turkey in recent years. The productive has preferred to obtain its input requirements from abroad because that is comparatively cheaper than relying on domestic inputs (Narin 2008), as a result of internationalization of production and foreign trade. As will be discussed following sub-section, this structural transformation has also brought important changes in the way of financing of productive sector.

Investigating Turkish imports reveals that the share of investment and of intermediate goods in exports increased in the post 2001 era, as expected the share of consumption goods decreased. While the share of intermediate goods within aggregate imports was around 30% during 1996-9, but rose to 37.1% during 2003-7 (Yükseler & Türkan 2008: 38). Moreover, energy items such as oil and natural gas occupy an important place in the import basket.

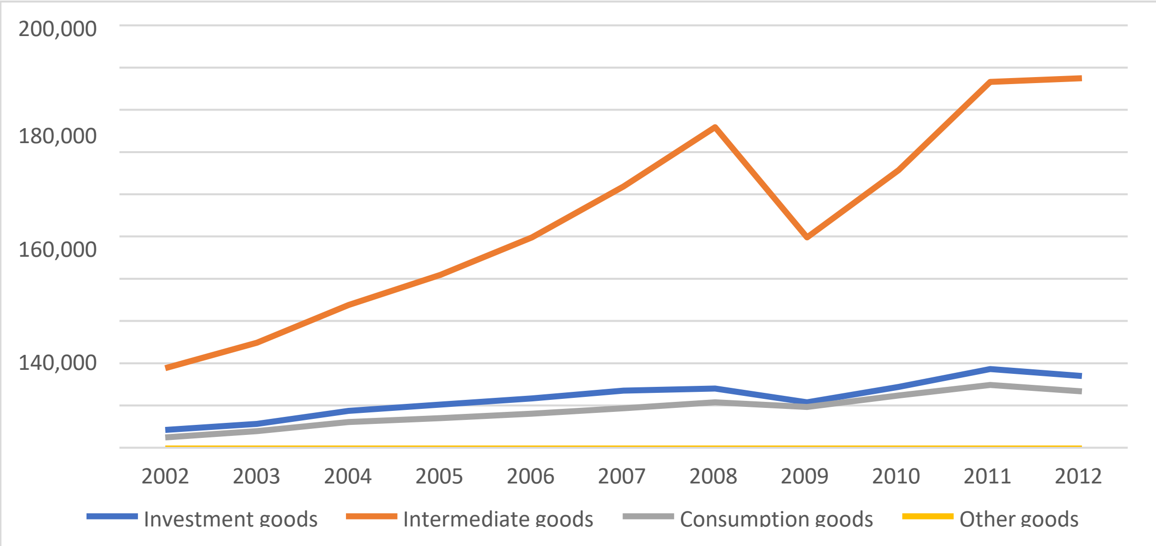


Figure 3.2. Imports by Commodity Groups, (Millions of US$)

Source: Ministry of Development, 2015
http://www.mod.gov.tr/Pages/MainEconomicIndicators.aspx#

Along with the transformation of production structure, large volumes of imported intermediate goods were utilized in the high- performance export sectors which is a significant aspect of this increase. The share of intermediate goods in exports, along with the increasing imports of them, also increased in the post 2001 era. Although textiles, yarn and food-related sectors dominated the Turkish production and its export, by 2008, the production and export in the technology sectors such as motor vehicle and electrical machinery has been increasing (Yörükoğlu& Atasoy 2010). Consequently, an analysis of Turkish exports and imports by commodity groups revealed that high share of intermediate goods was maintained through the 2000s, in accordance with the aforementioned import dependency of the Turkish economy. If the export and import partners of Turkey was elaborated, it will be seen that both are consist of same countries and same type of products[14].

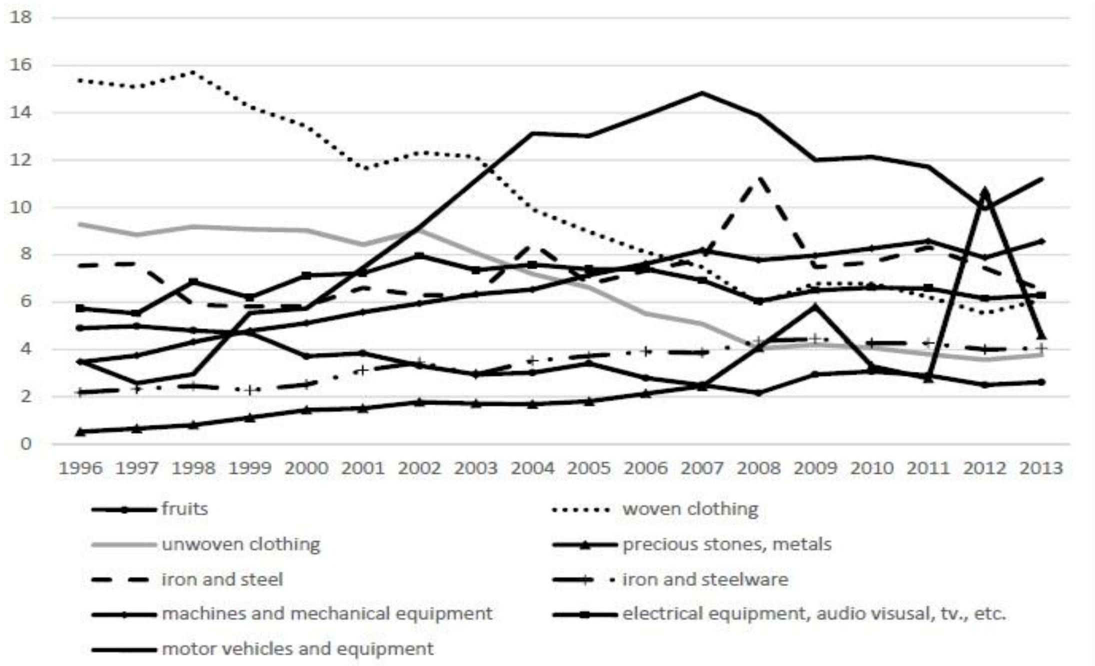


Figure 3.3. Main Export Items

Source: Turkish Statistical Institute, cited in Fessud Studies, No:21, 2014: 72**.**

That is, Turkey has exported and imported similar commodities which shows a production structure intertwined with international production chains. This means the high-level integration of Turkey into global markets in the post-2001 period. Along with this, the pressure on production performance has increased and so forced the productive sector to keep wages lower and push for higher productivity. However, all these transformations were unable to change the rank of Turkish economy in the global value-chain production since 1950s (Taymaz et. al. 2011). This indicated a low market growth potential of Turkish economy since Turkey consumed more value added produced abroad with the impact of appreciated currency, which brought about growing external deficit and foreign debt. Put differently, the increasing trade integration with the rest of the world generated relatively high current account deficits even during the high growth periods. The current account deficit giving some bad signals, in fact, the average deficit to GDP ratio was above 5% after 2001. Even before

[14] While in 2012, the top two countries Turkey imports from are China and Germany above 12% each, followed by Italy 8% and Russia with 5%, except Chine, the case for export is more or less same but a lower percentage.

the two major crises of 1994 and 2001, it was around 3% as a ratio to GDP. However, during 1980s and 1990s, it fluctuated around much lower values, which was 1.2% in the period from 1980 to 1989 and 0.5% from 1990 to 1999. Along with the he increasing trade integration with the rest of the world, there seems to be a structural break in the behavior of current account deficit in the post- 2001 period.

Then it is necessary to answer the question of how did the Turkish economy manage to achieve the shift into exporting more technology intensive goods and to increase its competitiveness in the global markets. In the aftermath of crisis, the devaluation of the TL led to an acceleration in exports, but since 2002, while TL was appreciated, imports started to increase. The appreciated currency normally decreases the competitiveness of exporting firms. However, in Turkey, this firms took advantage from the appreciation of TL because of the reducing cost of imports. Further, regional trade has contributed to increasing imports. This trade is mostly known as “Buy from Asia, sell to Europe. Two factors can be prominent in this respect. First of all, Turkey has benefitted from trade relation with Asia region due to competitive prices which have relied on its cheap labor force. Turkey has mainly imported from East Asia, denominated in US dollars, while Turkey exported final products to EU countries (Doğruel et al. 2010). Thus, Turkey, when exporting goods to EU countries, benefitted from the appreciation of Euro against the US Dollars and appreciation of TL against foreign currency. On the other hand, Turkey has ability to compensate the impact of appreciation of TL and intensifying competitive pressure through restricting employment and keeping wage low, which have been fundamental tool in maintaining international competitiveness. Put differently, the squeezing of labor cost is the one important contributor to this trend, which can be observed from unit labor cost figures.

The table 3.3 shows that wages declined in the both public and private sector but the decline for the public sector is sharper than private sector. It is striking that wages in both sectors were still below the level attained in 2000. This finding supports our argument that Turkish economy’s competitiveness in international markets depended strikingly on decreasing labor costs, although employers complain about high unit labor cost. Along with this development, the share of wage in national income has decreased through this period. Let’s start to discuss the general trend in employment in the economy as a whole. Looking at only growth indicator does not give whole picture of the economy. Even though many analysist and international organizations call Turkey realized as an economic miracle, things were quite different below the surface. Over the post-2001 crisis era, despite the very rapid growth performance across the economy, employment growth was meagre. To make this assessment clear, Yeldan (2010) plot the quarterly growth rates in real gross domestic product in figure below and contrast the annualized rates of change in labor employment which is calculated relative to the same quarter of previous year.

Table 3.3 Real Unit Labor Cost and Real Wage Indices*

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Real unit labor cost													
Public sector	130,1	115,7	99,5	102,2	105,4	107,4	104,4	111,9	105,2	111,9	110,3	105,7	106,7
Private sector	140,8	115,9	108,9	106,3	111,1	114,9	114,0	118,3	118,5	120,8	119,3	112,1	118,5
Net wages													
Public sector	111,1	98,2	89,2	86,8	88,3	90,7	88,3	91,1	89,3	88,8	85,6	87,1	85,8
Private sector	119,4	95,3	94,3	93,9	97,1	97,7	97,0	99,4	96,9	99,1	99,4	97,5	99,3
Wage(r) / GDP**	49,8	49,6	46,6	45,1	39,6	37,5	36,2	36,2	35,4	37,0	36,3	32,1	33,7

Source: Ministry of Development, 2015, http://www.mod.gov.tr/Pages/MainEconomicIndicators.aspx#

*In real change calculations, Wholesale Price Index (1994=100) during 2000-2004 is used and during 2005 and onwards Producer Price Index (2003=100) is used, **ILO, Global Wage Report.

The figure 3.4 encompasses over 27 quarters of data points between 2002.QI and 2008QIII when the average rate of growth in real GDP had been 6.5%. However, the rate of change of employment was around 0.8% over the same period. Further, as in the figure, while GDP growth was positive in all periods, labor employment growth was negative in 14 of those 27 quarters.

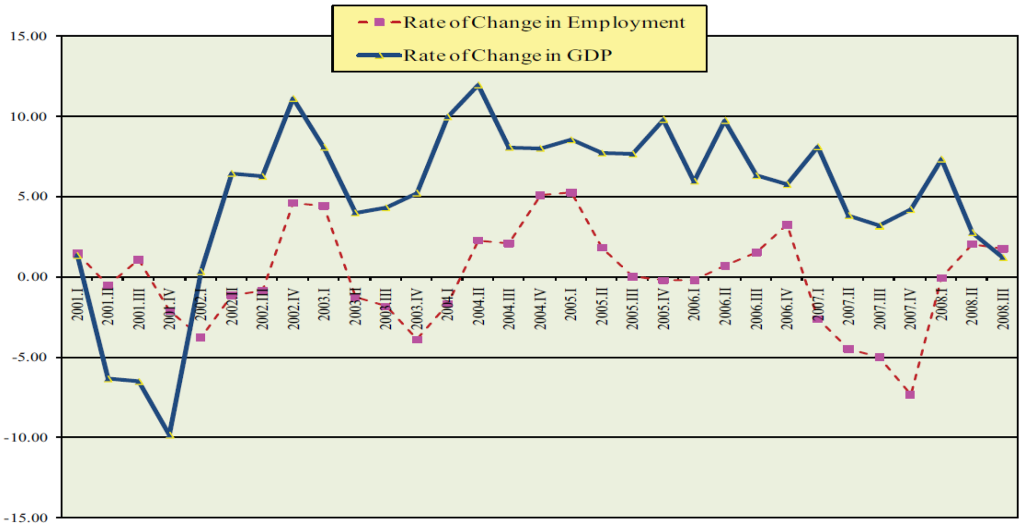


Figure 3.4. Growth Rate and Change in Labor Employment

Source: Yeldan, 2010: 14

The labor productivity index, measured in real output per hour, remarkably rose in the period between 2005-2012, reaching 118% in 2012 but unit wage index remained 103,9%, as can be seen from figure 3.5. Further, the share of employment in industry decreased from 21,6 in 2005 to 20,5 in 2012 (Ministry of Development Database, Unit Wage Index in Total Industry). The table put forward that as labor cost declined in the post-2001 period, productivity increased in the manufacturing sector reducing employment and squeezing wages. If we remember the changes in the structure of production and increases of production in technology- intensive investment goods, jobless growth is not a surprise due to substitution of labor by capital. Meanwhile, the policy of inflation targeting has used as a mechanism for squeezing wages. While the rate of wage increases was indexed to the rate of inflation, wages have been kept low[15] Accordingly, the gap between real wages and productivity substantially increased and there has also been decline in the number of workers in the manufacturing sector, as can be seen from employment index. Besides this, total production hours worked rise moderately despite increasing technological intensity and so both relative and absolute surplus value have intensified. According to a Labor Market Study by the World Bank, comparing to many other middle and high-income countries, average working hours are higher in Turkey … even relative to Korea, traditionally known as a country with long working hours. Yeldan (2007: 18) argued

[15] The Inflation Rate (CPI) was reduced from 55 % in 2000, to 8.8% in 2012, See Table 3.1 above regarding main economic indicators.

that the speculative financial gains of Turkish economy were financed by squeezing of real wages. Therefore, every increase in financial return has been intimately related with a decrease of real wages. This shows that financial return is actually based on a direct transfer from labor incomes towards capital, not only domestic but also foreign. The figure 3.5 indicates that the downward trend of real wages for both public and private sector has maintained through the period. Consequently, the so-called economic miracle of Turkey's integration into global markets, since the 2001 economic crisis, materialized at the expense of stagnant real wages, less employment and informalization of labor market[16].

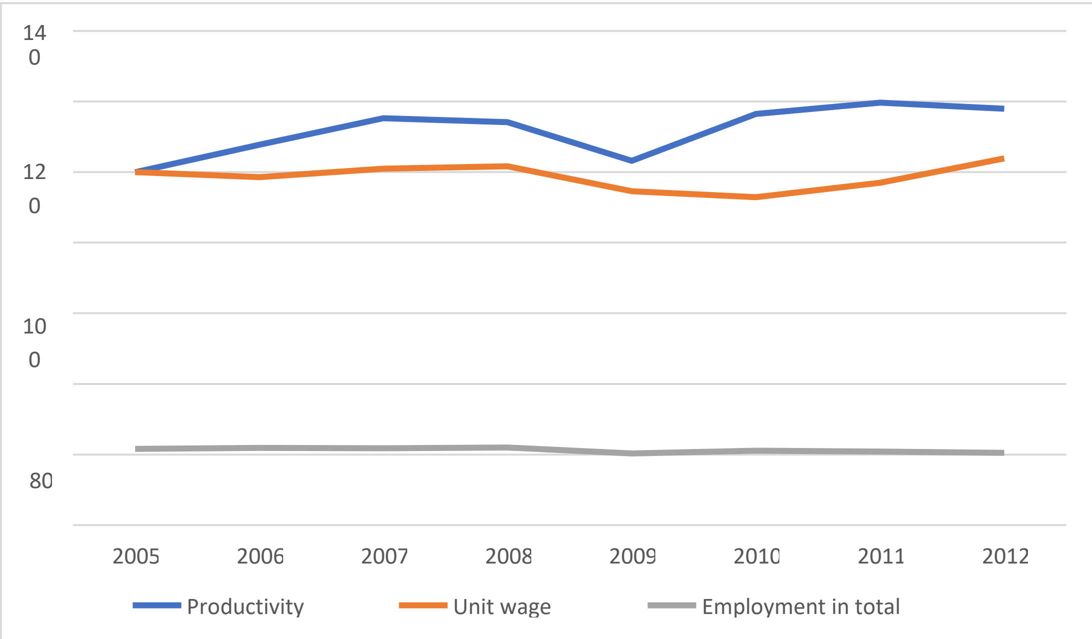


Figure 3.5. Productivity and Unit Wage Index of Industrial Labor, Indices (2005=100) & Employment in Total Industry

Source: Ministry of Development Database, Unit Wage Index in Total Industry

[16] See Yeldan (2010), the ratio of unregistered employment to total employment fluctuated around 50%.

Table 3.4. Turkish Labor Market and Unemployment, in thousands

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
15+ population	47158	48041	48912	47554	48359	49174	49994	50772	51686	52541	53593	54724
Civilian labor force	23491	23818	23640	22016	22455	22751	23114	23805	24748	25641	26725	27339
Employed	21524	21354	21147	19632	20067	20423	20738	21194	21277	22594	24110	24821
Unemployed	1967	2464	2493	2384	2388	2328	2376	2611	3.471	3.046	2.615	2.518
Disguised unemployed *	1060	1020	945	1101	1545	1909	1742	1850	2061	2013	1945	1994
Open unemployment ratio	8,4%	10,3%	10,5%	10,8%	10,6%	10,2%	10,3%	11,0%	14%	11,9%	9,8%	9,2%
Total unemployment ratio **	12,3%	14,0%	14,0%	15,1%	16,4%	17,2%	16,6%	17,4%	20,6%	18,3%	17,5%	16,8%

Source: TURKSTAT Database, Household Labor Force Survey.

http://www.turkstat.gov.tr/PreTablo.do?alt_id=1007.

* Not seeking a job, but available to start if offered a job (discouraged and other).

** (Unemployed + disguised unemployed) / (civilian labor force + disguised unemployed).

As we mentioned above, rapid economic growth did not accompany with increasing employment in the post-2001 crisis period, unemployment ratio exceeded 10%. Indeed, if discouraged people was taken into account, one sees that total unemployment ratio was around 16-17%. Another point to note that the increase in the unemployment rate took place in the face of declining labor force participation and it was significantly lower than the EU averages due to women's low participation. Since the implementation of the IMF programs during the 2000s, the overall participation rate fell below the 50% threshold (Yeldan, 2007: 16). It is clear that unemployment has still maintained as serious problem in Turkey. Furthermore, the significant decline in agricultural employment in the post- 1980 era has also contributed to the persistence of high unemployment rates. Boratav (2007) pointed out that the percentage of agricultural employment fell dramatically from 60% to 27% between 1980 and 2007. Further, there was a sharp decline of nearly 2.8 million people from agricultural employment between 1999 and 2006. As Özdemir & Yücesan-Özdemir (2004) figured out, despite employment in industry and services increased, the loss in agricultural employment cannot be compensated for. It is important to note that the Turkish labor markets over the post 2001 crisis era has showed the sluggishly slow employment generation performance, despite the prominent growth performance across industry and services (Yeldan, 2007: 16).

While total employment reached to 24.821 million, the number of openly unemployed people reported as 2.518 million, bringing the open unemployment ratio to 9.2%. However, these numbers do not cover an important group of people who are the group of discouraged workers. They are not counted as part of the civilian labor force and so is considered out of the openly unemployed. This number is too high to be underestimated over the course of 2000s, according to the TURKSTAT's Household Survey result in 2013, had reached to 1.994 million in 2012. If we add the TURKSTAT data on the disguised unemployment defined as such, the excess labor supply (unemployed + disguised) is observed to reach 16.8% of the labor force.

Thanks to the macro-economic policies pursued over the 2000s, focal emphasis on price stability and fiscal credibility, the authorities ignored not only the overall poor job performance of the Turkish economy but also the quality of jobs created. Almost half of the total number of employees did not register to any social security institutions (Başlevent and Acar, 2015: 7) and this ratio was higher for women (54.2% in 2012). The policies pursued seem to have deepened the informalization of the labor force, with insufficient gains in decent work. This gain is reported to be based on informal, unregistered employment with no social security protection (Yeldan, 2011: 9). Therefore, informal, flexible and vulnerable employment expanded rapidly through the observed period and so contrary to expectations, flexibility in the labor markets in the context of exported led strategy did not lead to employment growth.

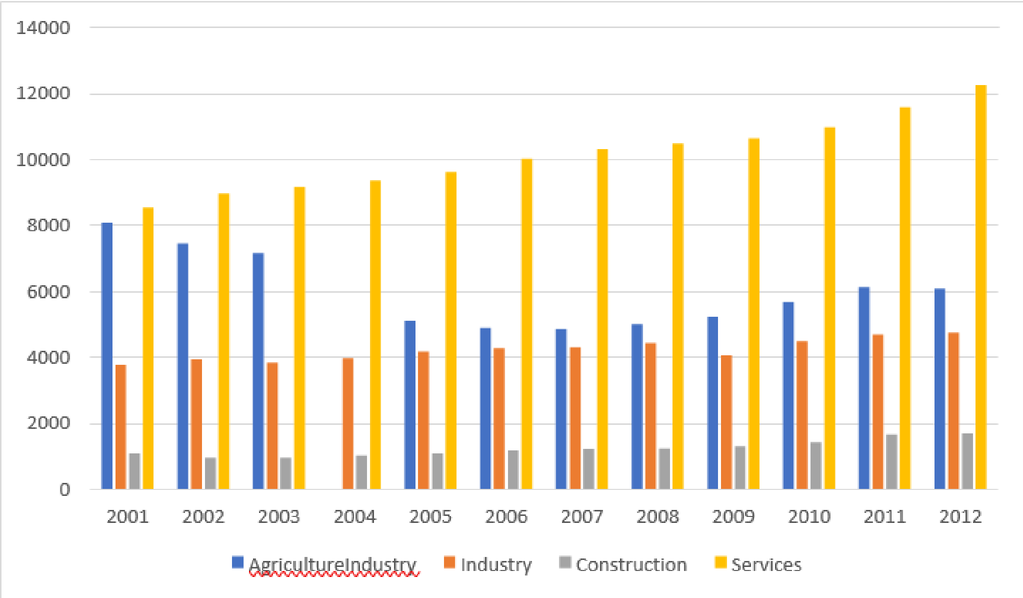


Figure 3.6 Employment by Sectors

Source: Turkish Statistical Institute (TURKSTAT), Household Labor Force Surveys, **http://www.turkstat.gov.tr/PreTablo.do?alt_id=1007**

Moreover, labor market flexibility brought about informalization, hiring of temporary workers, extension of fixed contracts and restrictions over worker's right (Özdemir & Yücesan-Özdemir, 2004).

Along with the transformation of production and export structure in the 2000s, contradictions in capital and labor relations reached their peak. Once more, Turkey's deepening integration into the world economy brought about creation of a flexible labor market, labor shedding and increases in working hours which were crucial factors in the increase of productivity, i.e. growing exploitation over labor, in the aftermath of the 2001 crisis (Yeldan, 2005). In 2003, a new Labor Act (No 4857) was introduced. It open way of new types of employment such as compensation work, fixed-term work, subcontracting and on-call employment. That is, new law changed the meaning and conceptualization of subordination and modified the conditions of work by shifting the balance of power from labor to employer. Özdemir &Yücesan-Özdemir (2006) pointed out that employers can regulate working hours up to a maximum of 11 hours per day; force workers to take time off instead of pay for over time; demand overtime work in return for only 25% extra pay in certain cases; decide the start of each work day and break times and lay off workers without paying severance. Thus, new law further shifted balance of power from labor to employer. It cannot be denied that together with high unemployment, the anti-labor policies of the AKP government helped to increase in the rate of profit and exploitation over labor.

Table 3.5. Strikes and Collective Agreements by Years

Years	Average number of strikes in a year	Average number of workers involved in	Number of work days Not Worked	Number of collective
1990	458	166.306	3.466.550	1.954
1991	398	164.968	3.809.354	5.030
1992	98	62.189	1.153.578	1.783
1993	49	6.908	574.741	3.809
1994	36	4.732	242.589	1.513
1995	120	199.867	4.838.241	2.357
1996	38	5.461	274.322	1.871
1997	37	7.045	181.913	2.056
1998	44	11.482	282.638	1.867
1999	34	3.263	229.825	2.286
2000	52	18.705	368.475	1.646
2001	35	9.911	286.015	4.454
2002	27	4.618	43.885	1.773
2003	23	1.535	144.772	1.607
2004	30	3.557	93.161	1.482
2005	34	3.529	176.824	3.977
2006	26	2.061	165.666	1.704
2007	15	2.592	1.353.558	1.975
2008	15	5.041	145.725	1.704
2009	13	3.101	209.913	1.995
2010	11	808	37.762	1.662
2011	9	557	13.273	2.134
2012	8	768	36.073	1.503

Source: Ministry of Labor and Social Security, https://www.csgb.gov.tr/En/Contents/Istatistikler/TopluIsSozlesmeleri.

In terms of class relations, successive counter attack of capital against working classes is also related with its ability of suppress the rising class struggle and demand of workers through neutralizing unions, which allowed for a substantial downward flexibility of real wages and helped increase the rate of profit. It should be underlined once more that the military coup of 1980 prepared the way for repressing the organized workers and putting severe restrictions on trade union rights. Although class struggle experienced a significant attenuation over the last 20 years, looking at table 3.5, one can say that attenuation has become more obvious during the AKP era. The declining trend in terms of average number of collective agreements, strikes, and involved workers is clear. It can be argued that privatizations and precarious work undermined the union struggle at the workplace. The number of working-days spend on strike was high in 2007 because a strike was set up in 768 workplaces of Türk Telekom through which the number of workers involved in a strike hiked to 25920 in that year. The period between 2008-2011, the average would amount to 2377. In reality, the number of workers who have paid a fee to union fluctuated around 1-1.5 million in that era. On the other hand, with the JDP governments' support, pro-employer labor union confederation like HAK-İŞ. Yellow unions have gained prominence but expansion of these kinds of unions do not make a contribution on class struggle. This process was honestly not unique for Turkey. In fact, de-unionization and yellow union tendency has been a tendency observed worldwide since 1980s.

The transformation in the working environment due to de-industrialization, privatization, outsourcing, growth of small- size firms, flexibilization of labor market also accelerated the de- unionization process. As parallel with this, the number of workers who can use the right to collective bargaining has been rapidly decreasing and wage earners lose their share from national income. Not surprisingly, as the class struggle decreased significantly over the years as expected the strong growth in the economy did not create corresponding gains in employment and wages. In fact, real wages declined in the public sector and stagnated in the private sector. It is striking that real wages were still below the level attained in 1999. Employers still complained about high unit labor costs, particularly due to tax burden. While economy grew rapidly, this has reflected in terms of neither employment, nor real wages. Consequently, this raises the question of how private consumption became the driving force behind the growth performance, despite growing unemployment and declining real wages. Before, answering this question, we first discuss welfare losses related to reforms in Turkey's social security system, including in health and pension provisions.

With the support of the IMF and the World Bank, Turkey has increasingly adopted neoliberal policies regarding social security system as well. As we discussed earlier, in the aftermath of crisis, the social security reform was legitimized due to the need to reduce the country's fiscal deficit[17]. In this context, new Law on Social Security and General Health Insurance was enacted in 2008, which speed up the commodification of social security and public health. The new law importantly revised the pension system by not only lengthening a worker's contribution period and but also by gradually increasing the retirement age, until the year 2048, to 65 years. Moreover, in 2001, the private pension law was enacted. As in many other developing countries, despite the existence of a private pension system, state-funded "pay as you go" system constitutes the bulk of the pension system in Turkey. Regarding health insurance, new law created additional payments. In a nutshell, although the cost of social insurance increased for employees, the benefits they receive has been reduced. The welfare spending of state remained below 1% of national income in 2009 (Sönmez, 2010: 137). Therefore, state gradually retreated from welfare provisions in the neoliberal period in Turkey as many other countries, the process further deteriorated financial situation of wage earners besides declining real wages.

What I want to say is that deterioration of both labor market conditions due to the stagnation of real wages, precarious working condition and also losses in social rights laid the foundation for the increased vulnerability of workers to debt problems in Turkey since wage-earners have to find external resources to need the daily meets. In return, indebted workers found themselves in a situation to accept these new employment arrangements like precarious working conditions, longer work hours, working overtime for lower pay. All in all, it is clear, Turkey has been passing through a period of mature neoliberalism. One party government since 2002 have implemented the predetermined reforms in a very ripe environment. Once more, in the context of privatization of public goods, deregulation of labor markets, rising unemployment and stagnant real wages in an economy raises questions regarding the character of this growth performance.

---

[17] The political reasons lie behind this decision. If one remembers the burden of interest cost as a major determinant of the rise in the fiscal deficit

The rapid growth of the economy as whole has been mostly driven by consumption, as is visible from the table above, if exports aside. The rapid economic growth in the first ten years of the AKP rule was mostly driven by consumption in general, and by private consumption in particular. The table provides insight into the magnitude of economic growth and its sources in the period between 2002-2012. While gross domestic product increased by 45.2 bn. TL, total consumption expenditures and total gross fixed capital formation account for 34.1 bn. TL and 16.4 bn. TL of this growth, respectively. In fact, private components, in both items, constitute the driving force behind the increase. To illustrate, private final consumption rose by 61,7% but the increase in government final consumption was not a few, around 51,3%. If we remember the retrenchment of state welfare expenditure and privatization of state economic enterprise, it is obvious that the increases have not gone to the ordinary citizens i.e. wage-earners. Nevertheless, the same holds for gross fixed capital formation to a much stronger extent, fixed capital investments in private sector grew 154,3%, while the increase in public fixed capital investment is around 51,7%, less than three times that of former. The contribution of net export increased by 29.2 bn. TL in the same period. Consequently, growth, in the post-2001period, presented very unique characteristics. By taking advantage of the strong exchange rate and abundant external financing facilities, the private sector, especially manufacturing increased its fixed investment and exports but remember, the increase in export was not enough to narrow the trade deficit.

The trend was highly related with the financial inflow to economy in Turkey. In fact, the growth of economy was significantly driven by massive inflow of foreign finance capital, being speculative-led in nature (Grabel, 1995). Hein (2012) makes important distinction between different capitalist accumulation regimes under financialization; specifically, between debt-led consumption boom, export-led mercantilism types and domestic demand-led type. According to him, “debt-financed consumption demand allows for flourishing aggregate demand and the realization of rising profits against the background of redistribution at the expense of (low) labour incomes and stagnating real investment, as another feature of finance dominated capitalism”. Consequently, Turkey can be characterized by debt-led consumption boom type and in addition to characteristic of the era, its jobless-growth pattern.

The discussion so far focused on the evolution of Turkish economy in the post-2001 period within the context of both its own historical development and global setting. Starting with the 2001 financial crisis and following 9.5% recession is a clear indicator that the Turkish economy is vulnerable to financial shocks and so dependent significantly on foreign capital. Before proceeding to following section, Turkish experience will be embedded in a comparative analysis because it enables us to better grasp the global trends, besides the achievements and limits of the structural transformation of Turkish economy. The comparative data on growth rates shows that growth rate is lower than China, India and Russia with growth rates of 9.8, 7,4 and 6.4% per annum between 2000 and 2006, respectively. In the same period, the average growth rate is 5.6% per annum for Turkey (World Bank, 2007). On the other hand, despite significant achievement on the inflation front in Turkey, a cross country comparison indicates a less impressive picture. Even the recent trend of the 10% inflation threshold is well above the emerging market averages[18]Emerging economies like Turkey in the period covering 2002-2007, data on investment as a percentage of GDP fluctuated 27.3%, whilst this ratio remained at 20% in Turkey. Comparative data on unemployment as a percentage of total labour force for each country, the weakness of the Turkish economic performance is seen that unemployment per annum for Turkey has fluctuated around 8,5% between 2000 and 2008, whereas this ratio is higher than some Eastern Europe and Latin American countries and China. To illustrate, unemployment was around 3,5% in China, 6.5% in Hungary and 3,2% in Mexico in observed period. Further, the data on current account balance highlights another weakness of the recent Turkish economic performance. While Latin American countries maintained balanced current account positions, Russia and East Asian countries gave current account surpluses, but Turkey suffered from serious current account deficits as average 3.2% between 2001 and 2008[19].

In short, Turkey did not take lessons from earlier experience of current account deficit and dependence on short-term portfolio investment which seems to be some of the major challenges to sustainable growth in Turkey in the case of reversion of favorable

[18] Followed by Russia, Argentina and Indonesia, Turkey appears to be the worst performer among key emerging markets.

[19] See IMF, World Economic Outlook Database.

global liquidity conditions as seen in 2008 global financial crisis. The experience of Turkey has brought about “the shrinkage of the public sector in a speculative-led growth environment”; deteriorating the provision of basic social services such as education, health and housing to the middle and lower classes. The process of integration of Turkey into the global economy has intensified the import dependence of domestic industry (Yeldan, 2007). While this structural transformation has resulted in adaptation of increasingly capital-intensive technologies, it also brought about important changes in the financing of productive sector and thus intensifying the process of financialization. Last but not least, fully adaptation of neo-liberal policies has brought about adverse consequences on wage- earners and so individual indebtedness become hot topic due to increasing individual insolvencies. Put differently, the three actors of economy, namely, productive sector, financial sector and individuals have been severely affected by financialization process.

3.2 Financial Flows Driven Cycles and Debt-led Consumption Boom

As seen from table below, similar to other developing economies, capital flows have dominated the growth process of Turkish economy in the post-liberalization period. Prior to the capital account liberalization, the linkages between economic growth and foreign capital appear to be in the direction of domestic demand → growth → import → current account→ capital inflows (Boratav & Yeldan 2001). That is, economic growth was accounted for rise in imports and current account deficits and so there was a need for foreign capital inflows to compensate debt through foreign debt. However, since 1990s, capital flows became autonomous from current account deficit as these inflows has been determined by international financial system. Therefore, the economy appears to have been transformed the direction of the linkage into capital inflows → domestic demand →growth →import → current account deficit which is sustained by the intended high interest rate and overvalued TL policy of the government.

Table 3.6. Economic Growth and Its Sources

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP	72519831	76338193	83485591	90499731	96738320	101254625	101921732	97003114	105885644	115174724	117753693
Total consumption	56655770	61362761	67697505	72554092	76256229	80548496	80502663	79703391	84499542	90651470	90758162
Government final consumption	8283079	8066780	8553886	8766884	9506407	10127098	10304176	11105788	11325193	11854890	12534181
Private final consumption	48372691	53295981	59143619	63787207	66749821	70421398	70198487	68597603	73174349	78796580	78223981
Total GFCF	12684573	14481761	18589131	21821588	24714467	25480808	23912295	19358027	25270576	29826287	29075469
Public sect	3103081	2633683	2460085	3074058	3154521	3352767	3780105	3755945	4419507	4321032	4706933
Private secto	9581492	11848078	16129047	18747529	21559946	22128041	20132190	15602082	20851069	25505255	24368537
Net exports	3632372	2135507	-23550	-20667	-31946	-34683	-46388	24578358	29666764	32833837	32843935

Source: Ministry of Development Database, GDP by Expenditures at 1998 Prices.
http://www.mod.gov.tr/Pages/MainEconomicIndicators.aspx

As Boratav (2010: 24) pointed about, these developments cannot have separated from the changes in the global economy. As U.S., current account deficits have started to grow since late 1990s, many developing economies took advantages from this and started to give current account surpluses. However, some of Latin American, Eastern European countries and Turkey took a different path and benefited from rapid growth through foreign capital inflows in the 2000s. This produces further need for foreign capital for debt service and further economic growth. Therefore, it can be said that the fate of economy is directly tie up with global interest rates and credit conditions. In other words, the high real interest rates were the main factor behind increased foreign capital inflows which contributed to financialization and a debt-led economic growth. If we turn to Turkish experience in the period between 2002-2012, the AKP came to power in a fairly favorable conjuncture. Between 2002- 2007, the first period of the AKP's rule, the world witnessed a revival in international capital flows. Thanks to adjustment process in the post-2001 period, Turkey accomplish restoring its credibility during the first period of the AKP's rule. Consequently, Turkey received 7.1%, 9% and 12.7% of total capital flows to developing countries in 2004, 2005 and 2006 respectively (Boratav, 2007: 5). Nevertheless, the consolidation of neoliberal policies did not result in a strong macroeconomic performance. As discussed above detailly, the import dependency of production and export oriented sectors caused ever expanding current account deficits. More importantly, these were financed through speculative foreign capital inflows, in return, result in the appreciation of the lira and brought about greater current account deficit. If Boratav's formulation was recalled, the economy got trapped in a vicious – cycle, that is, growth become addicted to capital flows and also deficits were financed by capital inflows which required high interest rated and an overvalued lira.

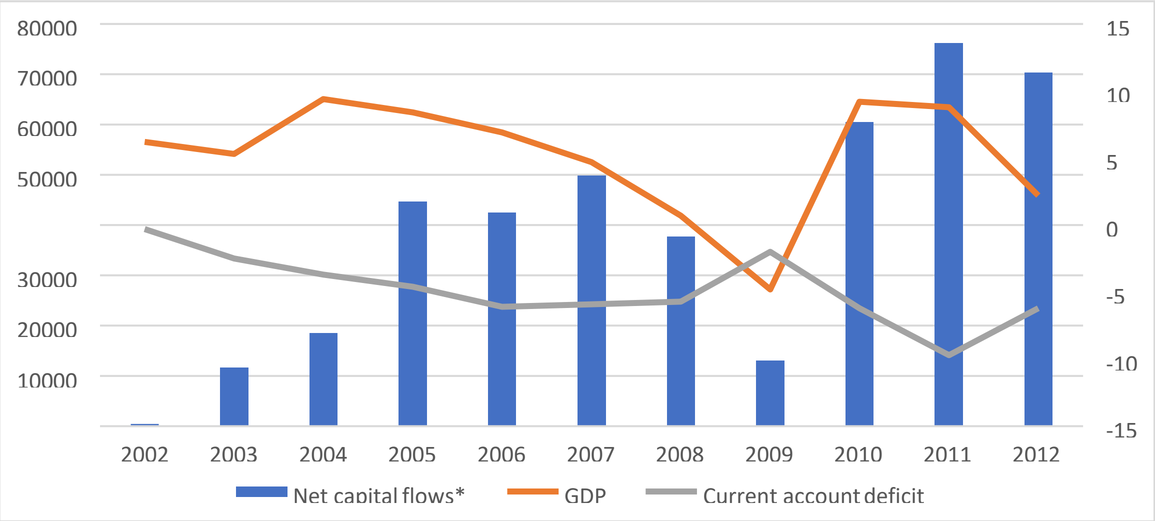


Figure 3.7 Financial flows, Growth Rate and Current Account

Source**:** Ministry of Finance Database, Balance of Payments, https://www.treasury.gov.tr/en-US/Stat-List?mid=740&cid=26&nm=756.

Between 2002- 2008, Turkey was able to finance deficits through the surpluses in the financial account because Turkey ran a total financial account surplus of $195.4 bn. And received foreign capital inflows of $256.5 bn[20]. The current account deficit as a percentage of GDP reached to record level of 9.7% in 2011 and 7.9% by the end of 2013. The large current account deficit renders the economy vulnerable to slowdowns in capital inflows since deficit is financed mainly through short-term capital inflows. There are different types of explanations to analyze large current account deficit of Turkey in the post-2001 era. The often-cited explanation by World Bank (2013) can be listed as domestic imbalances such as low domestic savings rates besides trade imbalances. As already mentioned above, the growing current account deficit is highly related with the private foreign capital inflows which is also seen from the table above. Initially, large capital inflows lead to the appreciation of domestic currency which result in increasing volume of imports while holding back export growth. Meanwhile, capital inflows can affect indirectly the current account through revitalizing the domestic dynamics of the economy because large capital inflows have been a major driving power of credit expansion in the Turkish economy. As elaborated next section, there is a clear correlation between domestic credit expansion and capital inflows. Indeed, large current account deficit lead also to raise asset prices and decrease in interest rates. Consequently, the structural overvaluation of the TL manifest itself in ever-expanding deficits on the commodity trade and current account balances which gave continuously deficit between 2002 and 2012. Due to overvaluation of the TL, traditional Turkish exports started to lose their competitiveness, so new export lines emerged as pointed above, they were mostly import-dependent such as automotive parts and electrical and machinery apparatus. Therefore, newly emerging export industries was unable to close the trade gap and so it was addicted to foreign capital inflows.

Since the financial liberalization of the 1980s, the amounts of financial inflows have gradually increased. While financial liberalization policies enabled the Turkish citizens to invest in foreign financial assets, it should be underlined that financial outflows have never reached significant levels in Turkey (see table 3.7). Therefore, the Turkish economy has mostly enjoyed positive net financial flows since 1980s. However, the post-2001 period shows structural difference from the earlier periods.

[20] Own calculation from Balance of payments indicators, in million dollars. Source: Ministry of Finance Database, Balance of Payments.

Since 2001, although foreign direct investment (FDI) has gained importance, financial flows to the Turkish economy have mostly have mostly in the form of other flows or portfolio flows. Moreover, it should be noted that increasing global liquidity and decreasing interest rates in major developed countries were driving external forces behind the surge of other and portfolio flows to Turkey like many other so-called emerging markets in the same period.

Table 3.7. Balance of Payments Indicators, in Million Dollars

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
FDI by residents abroad	-143	-480	-780	-1064	-924	-2106	-2549	-1553	-1482	-2370	-4106
FDI by nonrresiden	1082	1702	2785	10031	20185	22047	19760	8585	9099	16182	13628
Net FDI in% of GDP	0.5%	0.6%	0.7%	2.1%	3.8%	3.4%	2.7%	1.4%	1.2%	2.1%	1.7%
Portfolio Investment, net	593,000	2,465	8,023	3,437	7,415	833,000	5,014	227,000	16,083	22,204	41,012
Total capital outflows by residents	-3016	-2852	-9151	-2850	-18390	-9022	-15851	6723		2024	11475
Total capital inflows by non-	4188	10014	26853	45535	61079	58309	50581	3400	57037	55223	70968
Finan. Acc. Balan.	1172	7162	17702	42685	42689	49287	34730	10123	59061	66698	68418
Net errors and	-758	4489	838	1964	-228	517	3011	2879	1405	9433	1923
Net capital flows*	414	11651	18540	44649	42461	49804	37741	37741	13002	60466	70341
Reserves**	212	-4097	-4342	-23200	-10625	-12015	2758	-791	-14968	-1014	-22821

Source: Ministry of Finance Database, Balance of Payments.

* Net capital flows = Total capital outflows by residents + total capital inflows by non-residents + net errors and omissions.

** Negative signed changes indicate an increase.

While the share of highly volatile portfolio investments by non-residents in total capital inflows declined from 35.9% in 2002 to 4,8% in 2007, the foreign direct investments by non-residents has suddenly increased since 2005. As a ratio of GDP, it increased from 0,5% in 2002 to 3,8 in 2006 but decreased to 1.7% in 2012. That is, the ratio of net foreign direct investment inflows to GDP did not show a significant increase in Turkey at observed period of time. On the other hand, more importantly, if the composition of FDI was critically examined, it would be seen that foreign direct investment into the Turkish financial markets was mostly related with the privatization of major public companies plus real estate and land purchases by foreigners in this period (Yeldan, 2007: 10). This kind of foreign investment cannot provide sustainable foreign currency for economy. That is, FDI did not contribute to enhance the real physical capital stock of domestic economy. Therefore, these investments did not make an additional contribution to production and exports and so the capacity to create additional jobs remained low. To illustrate, the 60.8% of foreign direct investments oriented towards service sector. The share of communication and transportation sector constituted 15 percent of FDIs.

While the 15,8% of direct investments oriented towards manufacturing industry, the share of capital received for real estate was around 18 percent (Sönmez, 2010: 68). Put differently, about 80% of foreign direct investments by non-residents flowed to sectors have nothing to do with foreign trade except banking business. The FDIs in Turkey realized via privatizations, acquisitions, mergers and real estate and land purchases so it put important pressure on balance of payments in case of massive profit transfers because most of them concentrated on non-tradable sectors so it does not channel foreign exchange into the country. Furthermore, the lack of greenfield investments in total FDIs clarify why such massive capital inflows did not create enough employment to reduce the rate of unemployment. The majority of the foreign investment made in the banking and insurance sector constituted 35.8 percent of total FDIs. The Turkish banking sector, especially after 2005, became profitable for foreign capital which was searching for profitable opportunities in emerging market.

As mentioned in previous chapter, one of the main pillars of the monetary policy framework in the post-Washington consensus era was a reserve accumulation strategy. Due to the volatility of financial flows and the high cost of sudden stops, many central banks in developing countries built up foreign exchange reserves which became a performance criterion in order to attract capital inflows. Since the crisis of 2001, the Central Bank of Republic of Turkey (CBRT) has adopted the reserve accumulation strategy against the volatility of financial flows. From the table, above, the reserve increased by $22.6 bn. As other developing countries, the central bank of Turkey has invested its reserves mostly in US treasury bonds. If we look at the ratio of reserves to short term debt in Turkey, this ratio was around 1.81 which have imposed costs on the Turkish economy, close to 1% GDP (Aydoğuş and Türkler, 2006).

Besides the reserve accumulation strategy, Turkey can attract foreign capital through the policy of high domestic interest rates and strong exchange rate as a part of inflation targeting. The stock of securities and GDI's held by non-residents had peak up in December of 2007 but due to the global crisis of 2008, these flows reached its lowest value of 65 billion USD. Turkey experienced 13.8 billion USD capital outflow, which led to a liquidity shortage in the markets. For that reason, the Central Bank returned to its pre-2002 position of injecting liquidity into markets. This can be deduced from rapid growth of GDIs. The financial flows to emerging markets were abrupt in 2010. Despite declining interest rates in Turkey since 2002, the real interest rates were still relatively high, fluctuating around 10%, especially between 2002-2008. Consequently, Turkey attracted substantial amounts of capital inflows in the post-2001 crisis era.

Before examining improvements in the banking sector, it is important to look at some of the public-sector debt indicators because the role of the banking sector have financed public debt through the decades. Fiscal discipline found its reflection in the government debt market thanks to strong fiscal constraints by IMF. Between 2002 and 2008, the general government primary balanced was around 5,7%. Meanwhile, EU-defined general government budget deficit and public-sector debt stock decreased to 2,2%, from 10,2 and to 39,5%, from 73,7%, respectively in the same period (Bakır & Öniş, 2010: 14). In fact, the public sector borrowing requirement declined to 0,1%, from 10%. While the ratio of interest expenditures constituted

14.8% of GDP in 2002, it decreased to 5.3% of GDP in 2008[21]. As a result of prudent fiscal and monetary policies, this had major impact on banking sector activities because of banks dominant role as holders of Government Debt Instruments (GDIs). Although the ratio of government securities to the GDP reached its maximum immediately after the 2001 crisis, due to the settlement of the duty losses of the state banks with government debt securities, as seen from the figure, the ratio of government securities to the GNP started to decline. It cannot be claimed that government debt market loses its significance in Turkey yet the improvement in the monetary and fiscal policies prevent domestic banks from earning the majority of their revenue from financing the public deficit. Indeed, the ratio of interest income from securities to the banking sector's operating income declined from 62% to 34% between 2002 and 2010. Further, the share of securities in total bank assets declined from 40,5% to 28,6% between 2002 and 2010[22].

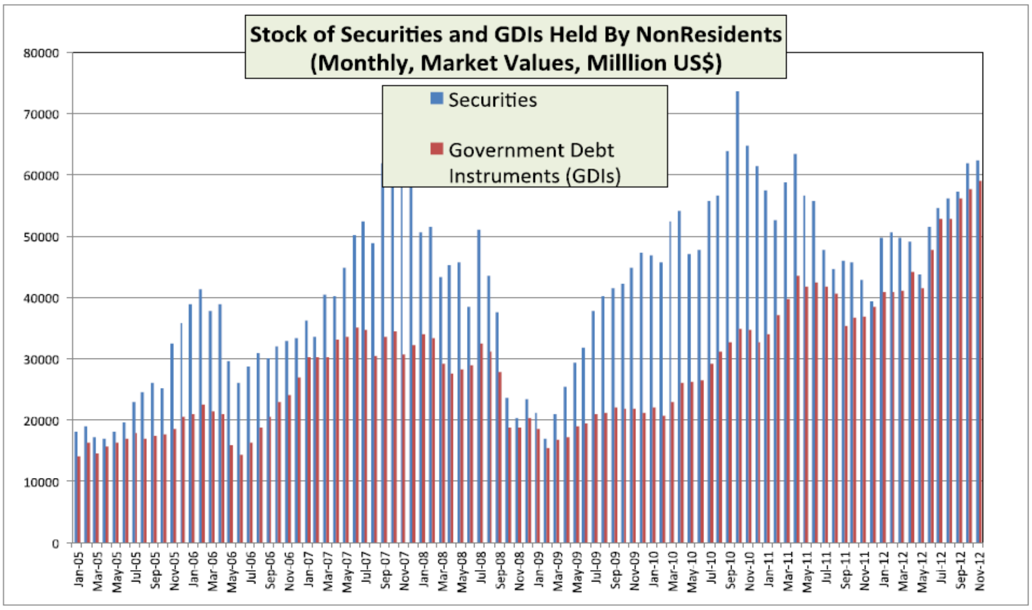


Figure 3.8. Stock of Securities and GDIs

Source: CBRT, **http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+EN/TCMB+EN/Main+Menu/STATISTICS/Banking+Data**.

[21] See Turkish Undersecretariat of Treasury (Public Debt Management Statistics), https://www.treasury.gov.tr/en-US/Stat-List?mid=738&cid=12&nm=684.

[22] See Turkish Undersecretariat of Treasury, Monthly Economic Indicators, https://www.treasury.gov.tr/en-US/Stat-List?mid=740&cid=26&nm=756.

However, it should be also underlined that the real rate of interest on the government debt instruments has remained above 10% through the post-2001 crisis period, which put occasionally severe pressures over the government to meet its debt obligations (Yeldan, 2007). It should be once more underlined that the increasing presence of foreign investors, especially after 2004, was highly related with the Treasury's declining dependency on the domestic banking sector. In fact, with the impact of the high real interest rates, Turkey has continued to attract foreign short term speculative finance capital even stronger rate.

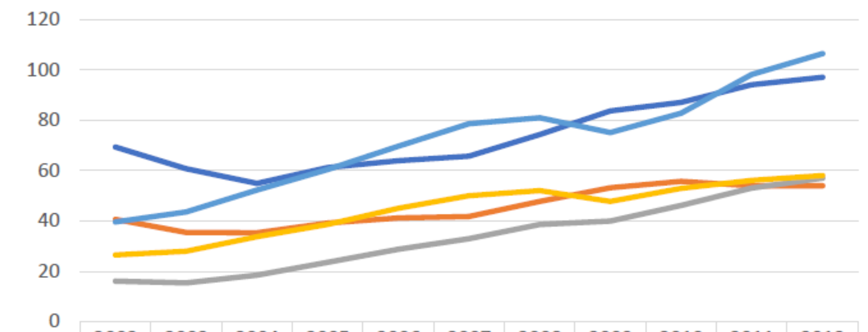
During this period, an important transformation has occurred in the structure and activities of the banking sectors. Since 2004, financial assets, deposits and loans to the GDP has increased significantly, as can be seen in figure 3.9. Financial intermediation was accompanied with this financial expansion. The penetration of foreign banks and their increasing market share had undeniable effect over these developments[23]. In fact, the share of foreign- owned banks according to equity ownership reached to 22,4% in 2008, from 4,3 in 2002. The important factor that contributed to foreign banks entering Turkey was that Turkish banks, due to severe crisis in 2001, could be purchased cheaply (Bakır and Öniş, 2010). In some cases, the domestic banks were recapitalized with public money, which were purchased by foreigners, therefore, public money was transferred to international investors. Furthermore, the growth the potential of the Turkish market seemed to stimulate foreign banks because of as the ratio of assets to GDP was 87.1% in 2010, well below the average of the EU, at more than 300% in 2007 (Kutlay, 2008:4).

As Ergüneş (2009: 22) pointed out, domestic banks or conglomerates advocated to sell their banks to foreigners, wholly or partially. The reason lies behind not only returns from sales were typically high, but also domestic banks were able to increase their credibility and to seek alternative credit facilities in international markets.

Meanwhile, due to the difficulties in meeting the new regulations under the Banking Sector Restructuring Program, especially the new capital adequacy ratios set by the

[23] Their market share reached 39.7% in 2007 and between 2005-2007, fifteen domestic banks were bought by foreigners partially or wholly (BRSA, 2007).

BRSA, domestic capitalists were in favor of foreign presence in the sector. Therefore, selling the domestic banks partially or wholly gave more flexibility in obtaining funding to the large conglomerates and strengthen domestic banks' capital structure and increase their competitiveness. Along with these financial developments, the ratio of loans to assets increased from 26,5% to 58% between 2002 and 2012 and most strikingly, the ratio of loans to deposits increased from 39,6% to 106,4% over the same period. These improvements were interpreted as the banks' return to the traditional role of financial interpretation instead of financing public deficit. It is clear that this interpretation stemmed from the aged assumption that when banks were engaged in intermediation, their borrowers would be mostly corporations (Ertürk & Solari, 2007). Even though there might be some truth to this assumption, the sector is far from contributing to qualified employment creation and sustainable rate of economic growth, if we remember the labor market statistic above. On the other hand, as we will discuss, the growth of consumer credits was higher than the growth in corporate loans between certain period of time. Domestic capitalists' desire to be further integrated into the world economy, internationalization of capital and related policy changes had great impact on not only the real, but also financial sectors, as expected.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assets / GDP	69.3	60.7	54.9	61.2	63.9	65.7	74.3	83.7	87.1	94	97
Deposits/ GDP	40.6	35.4	35.3	39.1	41.2	41.8	47.7	53.2	55.7	54	54
Loans/ GDP	16.1	15.4	18.5	23.6	28.8	32.9	38.6	39.9	46.1	53	57
Loans / Assets	26.5	28	33.7	38.6	45	50	52	47.7	52.9	56.1	58
Loans/ Deposits	39.6	43.5	52.3	60.4	69.7	78.6	80.9	75.1	82.8	98.1	106.4

Assets / GDP — Deposits/ GDP — Loans/ GDP — Loans / Assets — Loans/ Deposits

Figure 3.9. Financial Depth, Intermediation in Banking Sector,

Source: BRSA (2006, 2008, 2009, 2010, 2012, 2013).

In fact, the capital flows to Turkey brought about significant implications for the transformation of traditional banking sector activities in the post-2001 crisis period, as will be discussed subsequently. Thanks to financial expansion in Anglo- American economies, developing countries benefited from a great rise in capital flows. In the post-2001 crisis period, Turkish economy witnessed a remarkable surge in capital flows, Turkey was no exception to this trend. It can be listed at least two grounds, explaining increase in total foreign debt stock of country at domestic side. Firstly, through 2000s, domestic interest rates remained high in Turkey, despite the declining trend. The appreciation of Turkish Lira also reduced the borrowing costs in foreign currency. As a consequence, the total foreign debt stock of the country increased from \$129.5 bn. in 2008 to 337.4 bn. in 2012. Which corresponds to more than a double within 10 years. Despite this increase, the burden of external debt as ratio of GDP decreased from 56.2% in 2002 to 39,3% in 2011 but again raised to 42,9% in 2012. However, it is important to note that the rapid growth of GDP the appreciation of lira lied beyond this decline. Once more, especially overvaluation of the lira covered up the external fragility associated with the level of foreign debt.

If the composition of debt was examined, it would be seen that the short-term component of external debt grew by 130,7% in ten years, and constituted 30% of the aggregate debt. Exchange rate risk becomes greater with rising short-term debt stock in the period 2002-2012. Another indicator of fragility is the ratio of short-term external debt to the international reserves of the central bank. This is regarded as the most crucial indicator of external fragility and the problem of currency crisis since it shows the ability of central bank to meet short-term liabilities of the economy, increased from 61% in 2002 to 101% in 2012[24]. Let's see the distribution of total external debt among borrowers. As typical of late-capitalist country, the external debt of Turkey has been identified with state. In the 1990s, the 80 per cent of total foreign debt was borrowed from public institutions and CBRT. However, the rate of increase of external public debt has slowed down. Since 2005, the majority of the foreign currency liabilities belong to the private sector. Especially between 2002- 2008, the

[24] Total International Reserves which were \$26,307 bn. in 2002 but reached to \$99,923 bn. in 2012 (Ministry of Finance Database, Balance of Payments). In the literature concerning currency crises in developing countries, 60% is regarded as a critical threshold. This indicator has always been fluctuating above that limit for Turkey between 2002 and 2012.

reduction of IMF debt and increasing the primary surplus and also reducing public investments were fundamental to this tendency (Sönmez, 2008: 72). The share of the public sector in total external debt was around 30%, while the magnitude of the public external debt increased by 60,1% within ten years.

Table 3.8. Composition of External Debt Stock, in Million Dollars

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Short- term	16424	23013	32203	38916	42855	43148	52522	48993	77326	81934	100832
Public sector	915	1341	1840	2133	1750	2163	3248	3598	4290	7013	1140
Private financial	5429	8351	13152	17847	20939	16654	24088	21858	47630	46587	58393
Private non –financial institutions	8425	10461	13924	16173	17603	22049	23312	21773	23853	27095	30363
Medium and long- term	113173	121079	128809	131592	165508	207213	228589	220112	214643	222427	236660
Public sector	63618	69503	73828	68278	69837	71362	75058	79884	84791	87268	92250
Private financial institutions	6818	7274	10556	21053	37320	51433	50676	44180	40230	46962	53604
Private non-financial institutions	22390	22790	26302	29598	45236	70899	90663	84650	79611	80103	84754
External debt stock	129597	144092	161012	170508	208363	250361	281111	269105	291969	304361	337492
Short- term as %	0,13	0,16	0,20	0,23	0,21	0,17	0,19	0,18	0,26	0,27	0,30
Gross external debt	56,2	24,3	41,2	35,4	39,6	38,6	37,9	43,6	39,9	39,3	42,9

Source: Undersecretariat of Treasury Database, Gross External Debt Stock of Turkey (Archive).

While the capital flows to Turkey have significant implications for the transformation of traditional banking sector activities in the post-2001 crisis period, as will be discussed subsequently. One of the important features of the capital flows to Turkey in this period were the predominance of external borrowing by the private sector. Especially, between 2002- 2008, the private sector's long-term borrowing was responsible for nearly 75% of the increase in Turkey's external debt. In fact, the majority of these loans were taken by non-financial corporations, which shows non-financial corporations benefit from the abundance of global liquidity. Due to high domestic interest rate and appreciation of TL, the cost of external financing for private sector. Especially, non-financial corporations' external debt stock increased from $30.8 bn. in 2002 to $113.9 bn. in 2008 whose growth was around 269% and so meaning a serious exchange rate risk. However, Further, favorable external borrowing conditions created alternative ways of financing, this time, private financial institutions. However, in the period between 2008-2012, non-financial institutions opted for borrowing on domestic markets. Contrary to the pre- 2009 period, the short-term external debt stock of private financial institutions grew by 142% between 2008-2012. Moreover, whilst the share of foreign exchange in total liabilities fluctuating around 35- 40%, the share of foreign exchange in total assets were around 25-30%, being an important source of fragility[25]. According to World Bank report (2007), developing country firms mostly borrowed from global corporate bond markets, especially from Eurobond and U.S. dollar bond markets through 2000s. However, Turkish corporations borrowed major sources of funds from foreign banks and/ or foreign branches and subsidiaries of domestic banks[26].The main reason for significant borrowing from foreign banks and foreign branches of domestic banks should be related with the various taxes and fees on financial intermediation in Turkey, which increased the cost of domestic borrowing.

It is clear that he non-financial corporations have increasingly borrowed from abroad, especially between 2002 and 2008. The share of credits derived from abroad in total cash credits rose from 56.8% in 2004 to 65.1% in 2008. While the domestic credits share in total cash credits decreased from 43,2% in 2004 to 34,9% in 2008. This means that non-financial corporations were overwhelmingly borrowing abroad. In comparison with global conditions, despite remarkable decline in interest rates in Turkey starting in 2002, the real interest rates were still high, fluctuated around 10%

[25] BRSA, Financial Market Reports, 2012: 42.
[26] See CBRT, Outstanding Long-term Loans Received from Abroad by Nonfinancial Institutions in Turkey.

in the same period which presented a source of inconvenience for the corporations. Meanwhile, the appreciation of the Turkish Lira, a result of the high real interest rate policy, not only attracted significant amounts of capital inflows, but also favored external borrowing by making foreign currency cheaply in the post- 2001 era. Nevertheless, in the period between 2008 -2012, whilst domestic credits of the non-financial corporations increased by 153,4 %, whereas credits from external markets declined by 7%. Domestic credits share in total cash credits also increased by 24,5% in the same period. However, this does not alter the fact that the external debt stock is growing rapidly. In fact, the corporate sector debt consisted of high share of FX denominated. By August 2012, 56.7% percent of the financial debts of non- financial corporate sector were composed of FX loans. Indeed, debt composition has not changed since mid-2012. Further, 43,4% of total financial loans were Turkish lira denominated by February 2013. While 35.7% were FX loans obtained from domestic and foreign branches and affiliates of Turkish banks, but 20,5% were FX loans obtained from abroad[27].

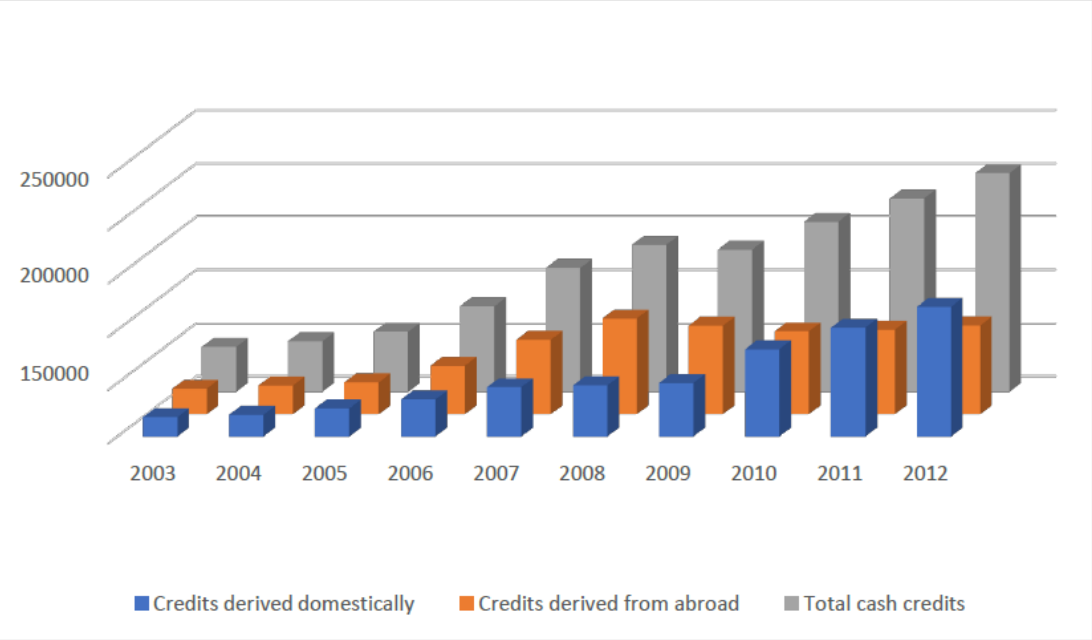


Figure 3.10. Non-financial Enterprises' Cash Credits,

Source: Central Bank of Republic of Turkey Database, Finansal Kesim Dışındaki Firmaların Döviz Varlık ve Yükümlülükleri.

It should be dealt with the question of why non-financial enterprises rely on FX even

[27] See BRSA Financial Stability Reports, 2012 & 2013.

more, especially from abroad. Two things can trigger this trend. Firstly, the high interest rate in Turkey was most significant among them so borrowing from abroad was more favorable for real sector. Secondly, as elaborated above, due to the import dependence of the domestic production, the demand for foreign exchange was inevitable and the appreciation of the lira as a result of high real interest rate policy, meaning cheap foreign currency. As a result, real sector has been capable to reduce the cost of production and so compete globally. Consequently, the non- financial corporations have gravitated FX borrowing rather than borrowing TL domestically.

Apart from the crisis year in 2001, the ratio of the other income to net balance sheet profit decreased crucially. However, the ratio has been quite high was 71,8% in 2003, 44,2% in 2009 but decreased 34% in 2010 and 23% in 2011. Therefore, non-financial corporations benefitted from alternative investment opportunities in financial markets. Demir (2007) argued that for Turkey (and also Argentina and Mexico), increasing country risk and uncertainty in macro prices, higher real interest rates and availability of rising rates of return on financial assets over and above those on fixed assets encourage financial investments over fixed investments.

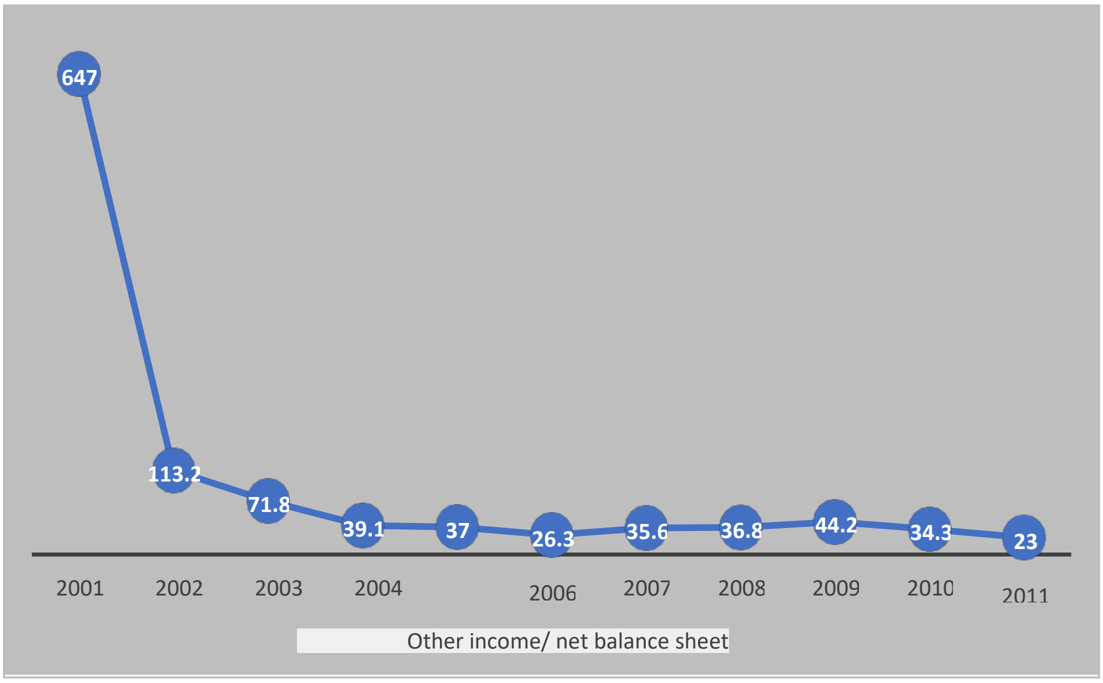


Figure 3.11 The Ratio of Income from Non-Industrial Activities to Net Balance Sheet Profit,

Source: Sanayi Odası Dergisi (Journal of Istanbul Chamber of Industry) 2011. *"Other incomes" include incomes from non-industrial activities but excludes state subsidies.

It is interesting to note that while there are increasing interest in financial activities particularly borrowing from abroad, the financing behavior of Turkey's corporations did not change significantly as a turn away from bank loans to open market securities, as happened in developed countries[28]. Furthermore, banks loans constitute 35,6%, on average, of non-financial enterprises liabilities between 2003- 2012. Whilst bank loans are a significant source of corporate financing in Turkey, their share in total liabilities appears to be low in comparison to typical banks-based economies, such as Germany's, where the ratio is above 50% (Aydın et. al., 2006).

Another outstanding trend was that shareholders' equity as ratio of total assets of the manufacturing sector increased from 37.1% in 2002 to 51.7% in 2007, this corresponds precisely to what is referred to as financialization of non-financial corporations in the theoretical part of this work, but with the effect of 2008 crises, there were declines in equities, which decreased to 42% in 2011. As an expected outcome of the underdevelopment of the financial intermediation and corporate financing, the share of trade credits, obtained from subsidiaries, is high in Turkey[29]. This shows that the informal relationships such as institutional and social relationships is important for shaping the credit mechanism of Turkey. Nevertheless, there has not been a major change in corporate financing in Turkey over the last decade. Having said that corporate bond issuance still does not play an important role in the financing of manufacturing firms but only large companies rely more on equity and less on bank loans and trade credits and it was seen increases in external funds.

Even though there has been improvement in non-financial enterprises borrowing from banking sector, as discussed above, the sector is far from making contribution to the rate of economic growth and employment creation. The rapid growth of the economy as whole has been mainly driven by consumption in general and by private consumption in particular (see the Table 3.6). This is clearly in contradiction with McKinnon (1973) and Shaw (1973) hypothesis because its claim depends on the

[28] It should be underlined that private sector security market has not developed much in Turkey. Between 2003- 2012, share of share of private sector securities on average fluctuated around 16,3% of total securities (BRSA, 2013).

[29] Central Bank of Republic of Turkey (2012) "Firmaların Döviz Pozisyonu Göstergeleri".

argument that financial liberalization will trigger economic growth through stimulating investments. They argued that especially in developing countries, where the common saving method is bank deposits; high returns on deposits would lead to increase the incentive to save, which is supposed to bring about higher investment and growth. However, this is not case for Turkey. Although a mild increase in growth has observed in recent years, the story of Turkey cannot be called as miracle, due to two pending problems. First, the domestic savings rate is low and also has been declining in the last couple of years which render Turkey vulnerable to change in global financial conditions. Even if some salient feature of Turkish economy is compared with BRIC countries and South Korea, during 2010- 2012 period, the ratio of gross national savings to GDP was around 13,5% which was even below Brazil's level (average saving rate is 18.2% of GDP in the same period) and considerably low savings rate compared to other of BRIC countries and South Korea. Therefore, low savings rates restrict investment growth and in Turkey which was 21,7% on average, they are well below the investment ratios of China, India and South Korea, which was respectively 48,4%, 34,9% and 29,3% between 2010- 2012 (Özatay, 2011: 253). Second, there is still a high degree of liability dollarization. In fact, net foreign exchange position of the non-financial firms was – 16.8% of GDP in the second quarter of 2012, which has been worsened since the end of 2003 when it was 6% of GDP. This means that the fluctuations of capital flows have significant repercussions on economic activity.

The composition of bank loans i.e. the place of households vis-à-vis the corporate sector and SMEs may be assessed by the date presented in figure below. It seems that there is asymmetry between loans. The data is indicative of the fact that the bank loans to households increased by 282% in the between 2006-2012. In the same period, corporate sector loans grew more than three-fold. These developments were interpreted as the banks' return the traditional role of financial intermediation rather than financing public deficit. It is clear that there is truth in this assumption. However, it just has to be added that what observed in Turkish banking is that bank loans increasingly were made to households. To illustrate, the share of consumer loans to total loans increased from 13% in 2002 to 33% in 2012. As such individual loans became one of the fastest growing sectors within the banking system (BRSA 2012:

28). The rise in the banking sector's profitability continued in the 2012. If compared with the end- 2011, the banking sector's net profit increased by 18.5 percent and reached 23,5 Turkish Lira by end of 2012. The rise in net profits can be related with both rise in net interest income and the rise in non-interest expenses stemming from the increase in operational expenses. As a result, the volume of commissions and fees earned by banking sector grew by 63.3 between June 2009 (6.78 million TL)- June 2013(11.1 million TL).

The extension of financial services to households has a crucial role in this process since banks have started to charge for several services which they previously offered for free. As a result, the ratio of income from net fees and commissions to operating income increased from approximately 11% in 2002 to 15% in 2012 (BRSA, 2013:50). Based on the research conducted by the Ankara Chamber of Commerce (ACC) in 2008, banks were collecting 93 different types of service fees and commission fees from their customers, which include credit card charges, late payment fees, transfer fees, and so on.

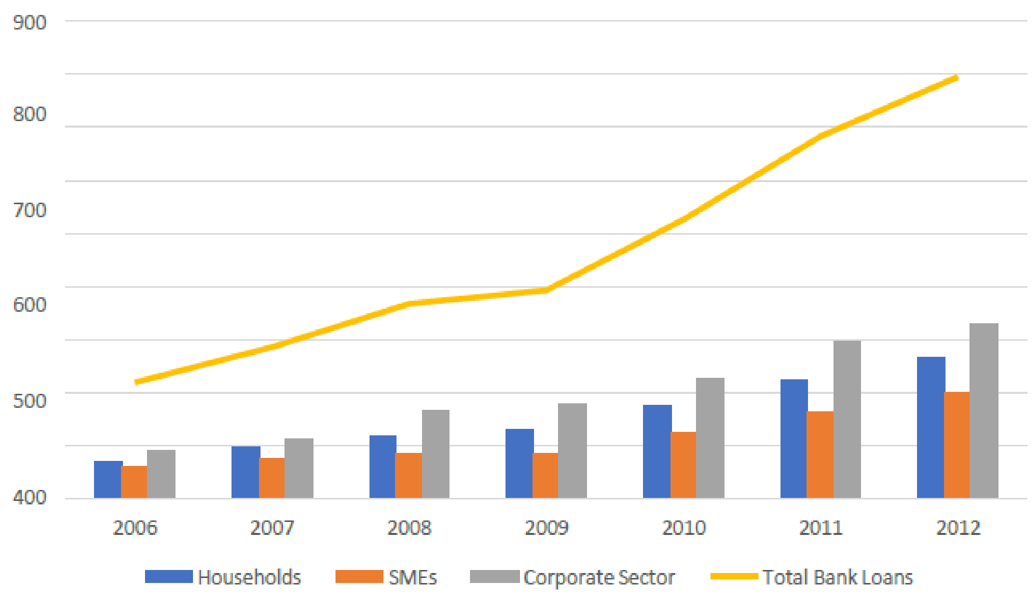


Figure 3.12 Allocation of Bank Loans, TL billion,

Source: BRSA, Financial Market Reports (2009; 2012; 2013).

As we will discuss next chapter, the extension of financial services to households has played a significant role in this process. However, it should be underlined that compared with advanced economies, the ratio of fees and commission to total operating income of banking sector is still low than interest earnings.

All in all, based on the classification suggested by Hein (2012), Turkish economic growth can be considered to follow a debt-led consumption boom under the influence of financial flow. It should also be noted that banking sector play a significant role in expansion of domestic credit to households. Consequently, the supply of consumer credits, such as housing, vehicle and education has increased rapidly (Ergüneş, 2009: 22). The next chapter will focus on different aspects of financialization of household income in Turkey and elaborates on the implications of the use of credit cards and consumer loans extended in recent years.

3.3 Conclusion

Through this chapter, I tried to analyze the integration of Turkish economy with the rest of the world. In this light, I focused shortly on trade integration and later put more emphasis on financial integration and its implications for the accumulation process. As we saw, the openness of the Turkish economy has significantly increased since 1980s. The main characteristic of 1980s is behind the structural adjustment with export promotion, but under a regulated foreign exchange system and controls on capital inflows. Put differently, the integration into the global markets was achieved mainly through commodity trade liberalization. Further, the exchange rate and direct export subsidies were main instruments for the promotion of exports and macroeconomic stability. More importantly, this period was also characterized by a severe repression of wage incomes through militant measures against organized labor. This mode of surplus creation come to its economic and political limits by 1988. Financial markets were completely deregulated in this period with the elimination of controls on foreign capital transactions and affirmation of convertibility of the Turkish lira (TL) in 1989. Turkey opened up its domestic markets to global financial competition. In this respect, capital account liberalization serves as one of the major policy initiatives in the new round of growth.

Growing public deficits and its financing has been the driving force behind financialization since it paved the way for injection of liquidity into the domestic economy through hot money flows. These flows enable not only finance of immense public-sector expenditure, due to high interest rates[30] but also led to reduce the cost of imports, thanks to overvaluation of domestic currency. Hence, financialization has rendered the Turkish economy fragile and vulnerable to sudden capital outflows. Under the export orientation strategy, economic growth was driven by foreign trade resulted in current account deficits in 1994. Nevertheless, one should not conclude that Turkey as a whole suffered from this process. As depicted above, the banking sector and/ or big conglomerates who active in the sphere of industry, commerce and finance, has taken advantages from financialization through 1990s.

The process of integration of Turkey into the global economy reached a peak in the 2000s. Although it is often said that the Turkish economy by converting the 2000-1 crisis into an opportunity, entered a period of rapid growth, however, this growth path has been unstable and increased the fragility of the economy. Financialization has manifested itself as growing capital inflows and affected all aspects of the economy. In the first period of the AKP's rule, namely between 2002-2007, Turkey restored its credibility, put differently, create favorable conditions for the needs of international capital. Unsurprisingly, neoliberal policies did not lead to a strong macroeconomic performance. While financial liberalization did not result in rise in real investments, due to the import dependency of production and export oriented sectors, the current account deficits grew rapidly, which were financed through speculative foreign capital inflows. All in all, financialization put Turkey in a position of import-dependent production, large public and private debts, huge current account deficit, increasing unemployment and as we will see indebted individuals.

[30] As I argued above, the way of financing of public deficits served as a transfer mechanism to the Turkish bourgeoisie.

CHAPTER 4

PENETRATION OF FINANCIAL ACTIVITIES INTO ORDINARY LIVES OF HOUSEHOLDS

Social and economic changes relate with financialization can be captured on the level of banks, non-financial corporations and households. Nevertheless, financialization, as something cannot be understood in depth unless the analysis is extended to a global scale. For the new forms of economic and social relations[31] have occurred not only within country, but also in terms of international scale. Accompanied with the structural crisis of capitalism in the 1970s, there has been the profound change in the monetary and fiscal policy- making, along with the innovations in information and telecommunication technologies that led to speed up of the transactions in the sphere of circulation and an unprecedented expansion of financial markets within the framework of neoliberalism. When we come to Turkey, the role of finance in economic and social life increased in the beginning of 1980s, accompanied with financial liberalization and deregulation measures. As discussed previous section, the shift in financing of the public deficit from the Central Bank to commercial banks has played a significant role in the financialization of the Turkish economy. Since then, interest income from securities has become an important source of revenue for banks, particularly since the liberalization of capital flows in 1989. As elaborated detailly in the above, banks got significant profits by investing international loans into high-yielding GDIs, thanks to the exchange and interest rate differentials between international markets and Turkey. While conglomerates benefitted from huge income transfer, at this period, the very way of financing of public deficits paves the way for higher deficits and borrowing requirement, and reproduces the vicious cycle, like

[31] Remember Marx; Capital is not a thing, but rather a definite social production relation, belonging to a definite historical formation of society, which is manifested in a thing and lends this thing a specific social character (Capital Vol. III, Chapter 48).

many other developing countries.

This study publicly focused on the 2001 crises because of the monetary and fiscal policies and the banking sector underwent important transformations. Moreover, starting with 1980s and accelerated in the post-2001 crisis, the remnants of welfare state were dismantled with the rapidly privatizations of services such as health care, education and housing, combined with a growing rate of unemployment and declining and/or stagnating wages, meant nothing but forcing households into borrowing on the financial markets. Therefore, the more working-class people are subordinated to financial markets in order to meet their basic needs concerning consumption, education, health care and housing. All of these shows that individuals are forced into debt. Therefore, the banks have ability to arrange things in favor of their own interests and so they can extract more profits from wages and salaries of the working classes. In this context, banks deploy methods of financial expropriation (Lapavitsas, 2009), identifies as one of most important dimensions of financialized capitalism. I will come back to this point below. Nevertheless, the financialization of households is not limited to their liabilities. Analyzing the Turkish economy, we will see that financial assets of households have not been increasing significantly, unlike the developed countries- mostly consisting of pensions and insurance. Therefore, the wealth effect in the literature is often discussed with reference to the effect of increasing housing and stock prices on consumption a la advanced capitalist countries is limited in Turkey.

In the previous chapter, I tried to give a macro picture of the developments in the Turkish economy particularly in the post- 2001 era that indicates the reason behind increased demand dynamic of consumer credits and also increasing the supply of credit phenomenon. In other words, it answered the question of why consumer credit has become a part of daily life of wage earners in Turkey. From now on, I will deal with the consequences of the financialization of household income and assessing the burden of consumer debt. So as to assess the penetration of financial activities into ordinary lives of the households, next part presents an overview of trends in household indebtedness and consumer credit in Turkey. This is followed by developments in the asset side of the household sector in order to have a better assessment of the wealth effect of growing access to credit. The last part gives final comments.

4.1 Towards the Rising in Consumer Credit and Household Indebtedness

Even though Marxist political economy has cast considerable light on financialization, according to Lapavitsas (2011: 8), the concept has remained unclear since financialization cannot be examined without applying its foundations which are the "conduct of non-financial capitals, the operations of banks and the financial practices of workers." Put differently, the content of financialization becomes clear only after social and economic changes related with financialization was taken into account as a whole, which can be captured on three levels.

Firstly, large nonfinancial corporations are becoming more and more financialized. That is, large nonfinancial corporations start increasingly to engage in open financial markets and carry out financial activities on their own account. Therefore, they were increasingly financed externally. As a result of the declining reliance of nonfinancial corporations on bank credits made banks turn to households as main source of profit. On the other hand, commercial banks gained the character of investment banks. Like investment banks, they concentrated on financial market mediation to earn fees and commissions. Lastly, due to the retreat of the state from the public provision of housing, education, pension and health care, individuals became dependent on consumption, education and housing credits to meet daily needs, which gave way to increase of borrowing of households from banks. In this light, banks turn their attention to individuals and have been able to extract profits directly from the income of wage-earners (Lapavitsas,2011: 620). Hence, financialization can be properly examined with the articulation of financial markets and institutions with each other, also with the rest of the economy and the intervention of state in the financial sphere. Nevertheless, we cannot talk about one way of financialization valid across the world. That is, financialization has varied between developed and developing countries, however, there has not been significant attention to the phenomenon in the context of developing countries in which financialization takes a subordinate form in the latter (Powell 2013).

The tendencies of financialization are also showing similarities and differences in the historical period. While the first period of financial ascendency in advanced capitalism took place at the end of the 19th and the start of the 20th century, Hilferding claimed that the rise of finance capital is related with an amalgam of industrial and banking capital created as monopolistic corporations which become increasingly to rely on banks for investment finance. Furthermore, finance capital can organize the economy according its own interests which would bring about certain trading blocs and the export of money capital (Lapavitsas, 2011). This tries to create territorial empires by mobilizing political and military with the help of the state. Put differently, according to Hilferding, financialization constitute a revival of 'finance capital' which is a transitional phase of capitalist developments as an ultimate outcome which embodied in the increasing dominance of the banking capital over industrial capital. Albeit drawing on Hilferding's conception of finance capital, Lenin elaborated the origins of the historic transformation of capitalism of their era in which fundamental interactions occurred within capitalist accumulation. Lenin is well aware of the problem in defining it merely as capital at the disposition of banks which is used by the industrialist. Lenin added Hilferding analysis to parasitical rentiers' and underlined significantly the concentration of production and capital which lead to monopoly and produced the definitive Marxist theory of imperialism in the 20th century (Hilferding, 1981; Lenin, 1963: 226 cited in Lapavitsas, 2011).

For today, Lapavitsas argued that the relationship between two has been greatly changed such that the monopolistic power along with the deregulation of financial markets give way monopolies to rely more on internal sources and less on banks. Hence monopolization waseven character of mature contemporary economies. While the share of the giant transnational corporations as percentage of the world GDP reached to 30% in 1995, from 17% in the mid- 1960s, their numbers increased from 39,000 with 270,000 subsidiaries abroad in 1995 to 60,000 with 800,000 subsidiaries in 2009. Further, in 2009 the 100 largest transnational corporations controlled a third of total foreign direct investment which shows the currentness of the Marxist laws of concentration and centralization of capital (Morera and Rojas,2009: 15). On the other hand, large multinational corporations are able to finance the bulk of their investment mostly by drawing on retained profits rather than relying heavily on banks. They benefitted also from external finance through direct borrowing in open markets

(Lapavitsas, 2011: 10).

Despite the fact that there are differences among countries' financial system, the trend is clear in that the share of bank loans in total liabilities of corporations has been declining in all three countries. While the German and Japanese financial systems have bank-based characters, unlike the market-based character of the US financial system, this does not affect the negative relative change in these countries. As Lapavitsas (2009) put in Marxist terms, monopolies have become less reliant on banking credit to finance fixed capital since they have taken advantage of financial markets, especially by issuing commercial paper even establishing departments for operations in trade-credit and financial securities. Consequently, they become financialized and relied less on banks. As the growth of the financial profits of nonfinancial corporations has maintained, the share of the financial assets of nonfinancial corporations as percentage of their tangible assets have been increased.

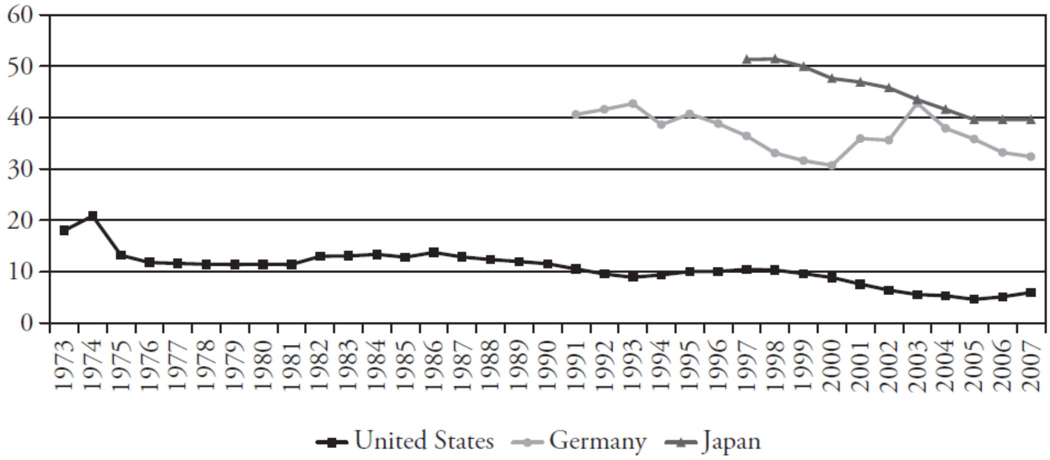


Figure 4.1Bank-loans as Percentage of Corporate Financial Liabilities

Source: Lapavitsas, 2009: 13.

As Krippner (2005) pointed out that the ratio of portfolio income to corporate cash flow among non-financial firms increased between 1950 and 2001. This increased from 10% in 1970 to 40% in 2000. In this light, rather than the increasing dominance of banking capital over the industrial capital, large nonfinancial corporations decreased their reliance on banks by developed their financial transactions. Even the wage bill of large non-financial corporations is started to be financed through the issuing of commercial papers in open markets. Additionally, thanks to growing takeovers, corporations get ability to trade bond and equity in stock markets, that is, they developed skills in independent financial operations and trading (Lapavitsas, 2011: 10).

As the traditional bank-business lending[32] eroded in advanced countries, banks responses these changes as turning to investment-banking service to corporations, and to retail brokerage services and also turn to household credit (Dos Santos, 2009:5). The importance of this phenomenon in the context of this study is related with the availability of alternative funding opportunities led to decrease in corporate sectors' reliance on domestic bank loans. Consequently, while the share of corporate loans in relation to total bank loans reduced[33], banks attacked to personal revenue of individuals as a source of profit. Furthermore, banks started to engage in financial market mediation, that is they increasingly fulfill investment banking functions (Lapavitsas, 2009: 15). Both of these are closely related to each other and so I will present these developments the both together. Although the turn of banks toward personal revenue as field of profitability varies among developed and developing countries, even among advanced countries, but the general trend cannot be ignored.

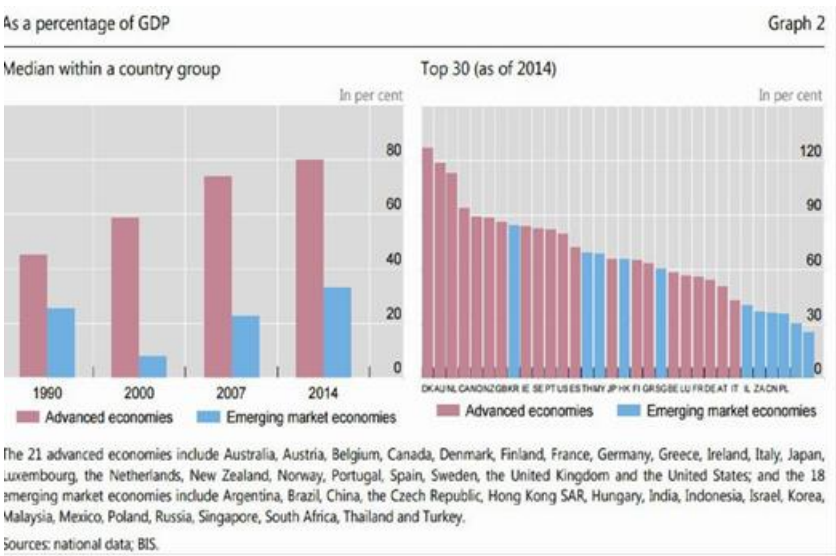


Figure 4.2. Household Debt as a Percentage of GDP

[32] Traditional banking activities can be summarized as taking deposits from customers and providing loans to enterprises. In this light, the main income of the banking sector comes from the interest difference between deposits and loans. However, in the age of financialization banks turned towards individual income as a source of profit (Dos Santos 2009; Lapavitsas, 2009a) by increasingly engaging in consumption, mortgage, and auto loans provision.

[33] See Mihaljek, 2006; Turner, 2006.

The figure 4.2 shows that household indebtedness has significantly increases and become an important element of financialization of personal income. To illustrate, household liabilities as proportion of GDP have increased from around 40 to roughly 100 per cent in the US between 1973-2007, from 60 to 80 per cent in Japan 1980-2005 and from around 50 to over 60 per centin unifies Germany between 1991 and 2007 (Lapavitsas, 2009: 16). This took place first and foremost in developed countries but later banks in developing countries followed a similar pattern. However, the financialization of households is not limited to their liabilities but I will turn bank these issue after discussing changes in household indebtedness in developing countries.

The growth in household indebtedness was prompted across many middle-income economies by softening of restrictions on the functioning of foreign banks. From the mid-1990s, World Bank economists boosted conspicuously the foreign-bank entry. Following the many banking and monetary crises between 1994 and 2001, these countries generally embraced the operations of foreign banks (dos Santos, 2009). Especially following the 1997-1998 East Asian crises, reform and regulation policies have brought about structural changes in banking sectors in terms of privatization, consolidation, and foreign bank entry[34]. While domestic banks were cheaply sold partially or completely to foreigners, one of the changes was important in the context of this thesis is that the role of foreign banks played in the rapid expansion of consumer lending. As Dymski (2009) indicated how Citibank in Brazil established a network of nonbank offices to sell high-risk and high-return credits to working people and retirees. Further, Citibank played a great role in issuing credit cards in East Asia (Hanson, 2005).

Moreover, Lapavitsas and Dos Santos (2008) pointed out the orientation of foreign banks towards consumer lending in Brazil, Mexico and Philippines. Dos Santos (2009) elaborated the recent operations of large, international organizations' bank corporate reports. According to these reports, HSBC and Citi respectively gained 52.4% and 75.8% of all profits in their Mexican operations to their consumer lending

[34] See Stein, 2010.

segments. Moreover, Raiffesen International Bank attributed more than 34% of all of its profits to household lending activities in Central and Eastern Europe. In other words, domestic banks quickly followed foreign banks, and rearranged their activities towards profitable business in retail lending to households. Based on 2006 and 2007 data of Brazilian banking system, while average risk-adjusted profitability of banks' corporate services segments was around 16%, retail banking services consisting mainly of loans to individuals was around 39% over the same period. In the following sub- section, as we will see that household loans as share of foreign banks relative to its domestic banks have also higher in Turkey.

The figure 4.3 shows the levels reached by the loans to individuals as proportion of total loans of representative US, UK, French, German and Japanese banks on the eve of the financial crisis. The share of these loans was 40.5% for HSBC, 77.7% for Citigroup, 76.3% for Bank of America, 44% for Barclays, 33% for BNP Paribas, 20,1% for Dresdner Bank and lastly 26.8% for SMFG. If the composition of these loans was elaborated, it will be seen that the majority of these loans were composed of mortgage loans, being 53.6 per cent for HSBC, 59.1 per cent for Bank of America, 73 percent for Barclays and 98.1 per cent for SMFG (Dos Santos,2009: 13). This is not surprising if we looked at the great profits that were made during the mortgage bubble.

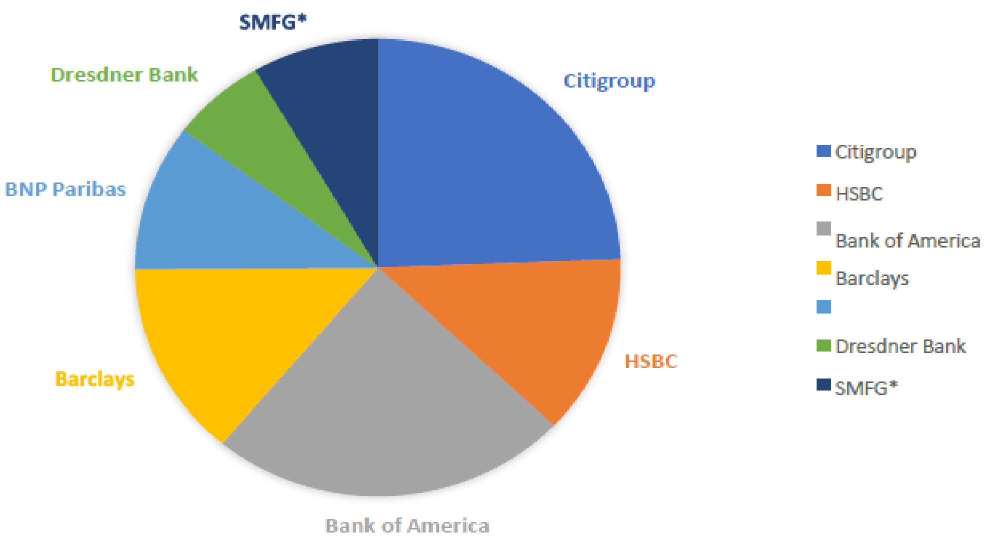


Figure 4.3 Loans to Individuals as Percentage of Total Loan Portfolio,

Source: Dos Santos,2009: 11, *Sumitomo Mitsui Financial Group

The changing role of commercial banks by adopting of investment bank[35] functions have affected these processes especially in developed countries. In the meantime, the technological advances in the last few decades which affected the realm of finance. Especially in core capitalist countries, with the growing usage of securitization, consumer credit has been extended to broader segments of the society. Through securitization, banks can increasingly bundle the debt from credit users and sell it to investors in the securitization market (Dymski, 2009). The relaxation of Glass Steagall restrictions in 1988 and the abolition of Act in 1999 speed up the US commercial banks to engage in investment banking. Since that period, commercial banks were able to securitize lending and turned them into special purpose vehicles (SPVs) so as to keep their balance sheet liquid. By mediating the circulation of securities (normally it is a function of investment banks), commercial banks could earn fees instead of simply lending money and earning interest (Lapavitsas,2009:18). In parallel with this, the non-interest share of total revenues of commercial banks has been increasing. If the source of non-interest income was elaborated, it will be seen that the revenues such as account and credit card charges and fees related to fund management as percentage of total bank revenues play crucial role (Dos Santos, 2009: 14).

If we turn our attention to developing countries, according to IMF Global Financial Stability Report (2006), while average growth of real household credit between 2000 and 2005 was 47.7% in emerging Europe (Poland, the Czech Republic, Turkey, Hungary, Bulgaria, Russia and Romania); 22.6% in emerging Asia (South Africa, Taiwan Province of China, Malaysia, Thailand, Korea, Indonesia, India, China, and the Philippines); and 8.9 in emerging Latin America (Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela). As deduced from table 4.1, not only developed but also developing countries experienced a remarkable increase in the ratio of household debt to disposable income, not surprisingly, this rate is higher in developed countries. In parallel with the rapid rise of consumer credit and the increase in household indebtedness, unlike the systematic exploitation of labor in the sphere of

[35] The basic differences between investment and commercial banks can be put in terms of their liquidity requirements. Unlike commercial banks, investment banks are not subject to regulations like capital adequacy. Commercial banks must keep some liquid assets to confront potential losses from lending, while investment banks need significantly less because they invest in securities held for short periods of time

production, financial expropriation takes place in the sphere of circulation through the appropriation of fractions of workers' wages and salaries by banks. Put differently, household indebtedness has become an important element of financialization of personal income.

Table 4.1. Household Debt to Disposable Income in Emerging Markets (%)

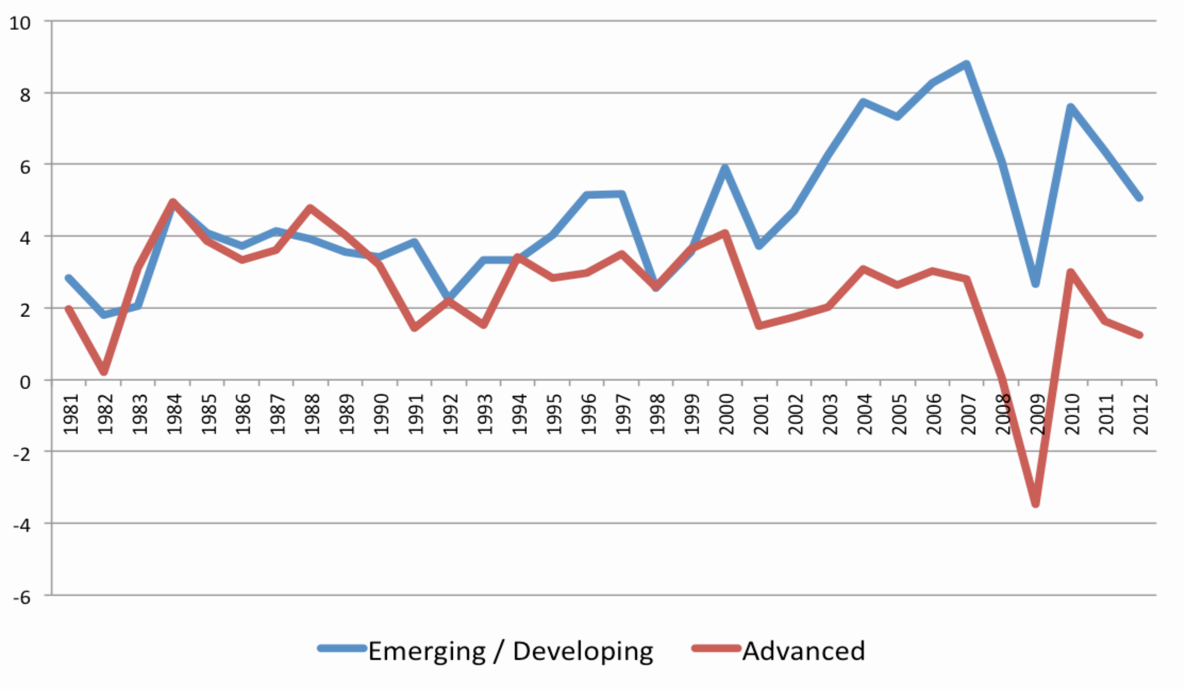
	2000	2001	2002	2003	2004	2005
Emerging Markets						
Czech Republic	8.5	10.1	12.9	16.4	21.3	27.1
Hungary	11.2	14.4	20.9	29.5	33.9	39.3
Poland	10.1	10.3	10.9	12.6	14.5	18.2
India	4.7	5.4	6.4	7.4	9.7	,,,,
Korea	33.0	43.9	57.3	62.6	64.5	68.9
Philippines	1.7	4.6	5.5	5.5	5.6	…
Taiwan Province of China	75.1	72.7	76.0	83.0	95.5	…
Thailand	26.0	25.6	28.6	34.3	36.4	…
Mature Markets						
Australia	83.3	86.7	95.6	109.0	119.0	124.6
France	57.8	57.5	58.2	59.8	64.2	69.2
Germany	70.4	70.1	69.1	70.3	70.5	70.0
Italy	25.0	25.8	27.0	28.7	31.8	34.8
Japan	73.6	75.7	77.6	77.3	77.9	77.8
Spain	65.2	70.4	76.9	86.4	98.8	112.7
United States	104.0	105.1	110.8	118.2	126.0	132.7

Source: IMF (2006).

In that process, many transformations have occurred not only in the borrowing and saving patterns of households and socioeconomic conditions, which has taken different forms depending on several factors. It is clear that there have been profound changes in the macroeconomic policies of countries which contribute to the rise in demand for consumer credit. As discussed previously, the political and economic restructuring of the last three decades which has represented as neoliberal restructuring, that is deregulation of trade, labor markets and finance. Put differently, the analysis of the rise in consumer credit necessitates a broader understanding of the structural transformations in an economy. If we look over the mainstream approach, it underlines mainly the importance of low-interest and low inflation rate, higher income levels and higher asset prices as contributing factors in the growing demand for household credit both in developed and developing countries (IMF, 2006). In other words, households give basically reaction to the economic stimuli by increasing their demand for consumer credits, according to this point of view. In a critical point of view, such an account by itself does not offer an insight into the political and economic restructuring of capitalism in last three decades and its impact on individuals' need to borrow.

It is clear that while GDP growth rate had been decreased from the 1980s in advanced economies, the unemployment has been growing with the impact of the neoliberal turn. In along with this, even in US, the real wages stagnated between 1980-200, if not declined (Harvey,2005:25). The removal of state-guaranteed protections for workers, the dismantling of the welfare state, that is the privatization of services such as health care, education and housing, combined with greater fiscal discipline and increasing rate of unemployment and stagnating real wages put a greater discipline on workers. All of these meant nothing but forcing individuals into borrowing on the financial markets. Put differently, the analysis of rising personal indebtedness requires taking into account the changing conditions of relations of production and the role of the state within economy and society.

It is no doubt that the relationship between individuals and banks are uneven. Firstly, individuals have usually have exactly no idea of how the financial markets functions and there are significant information asymmetries. Secondly and even more importantly, this relationship does not be based on consent since individuals are forced into debt in order to meet basic needs such as consumption, housing, health and education. As the more and more wage earners and/or retirees are subordinated to financial markets, banks can arrange things in favor of their own interests. The widespread implication of workers in the mechanisms of finance is the basis of financial expropriation. That is, worker-income was accrued by banks and other financial institutions. Financial expropriation takes place in the sphere of circulation and stand for the appropriation of fractions of workers' wages and salaries by banks which are increasingly operating as financial intermediaries, besides the systemic exploitation of labor in the sphere of production.



Figures 4.4 GDP, Growth Rate

Source: IMF, **http://www.imf.org/en/Data**

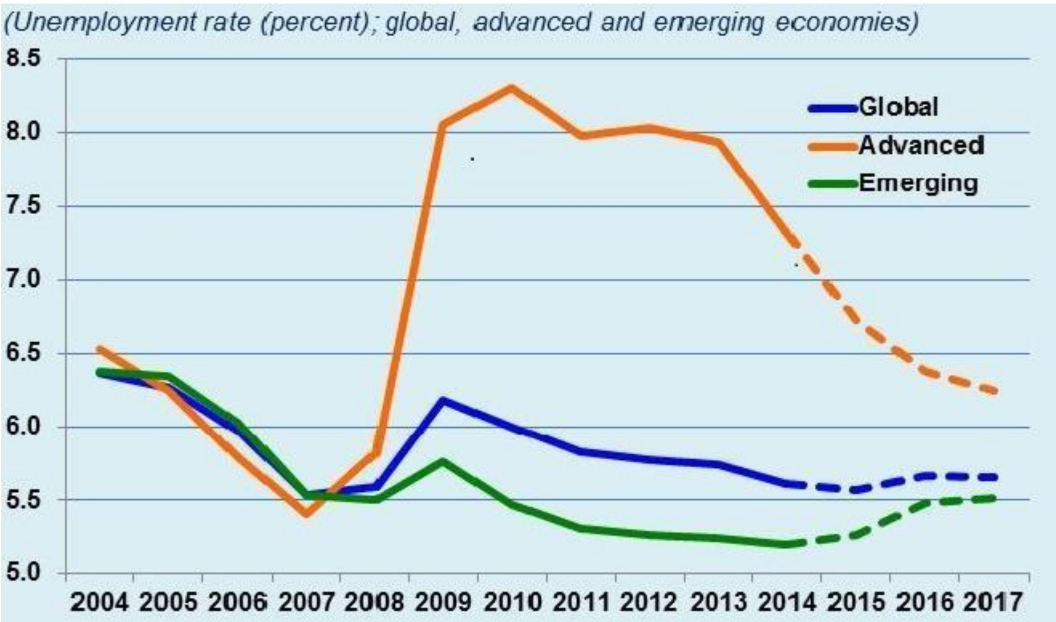
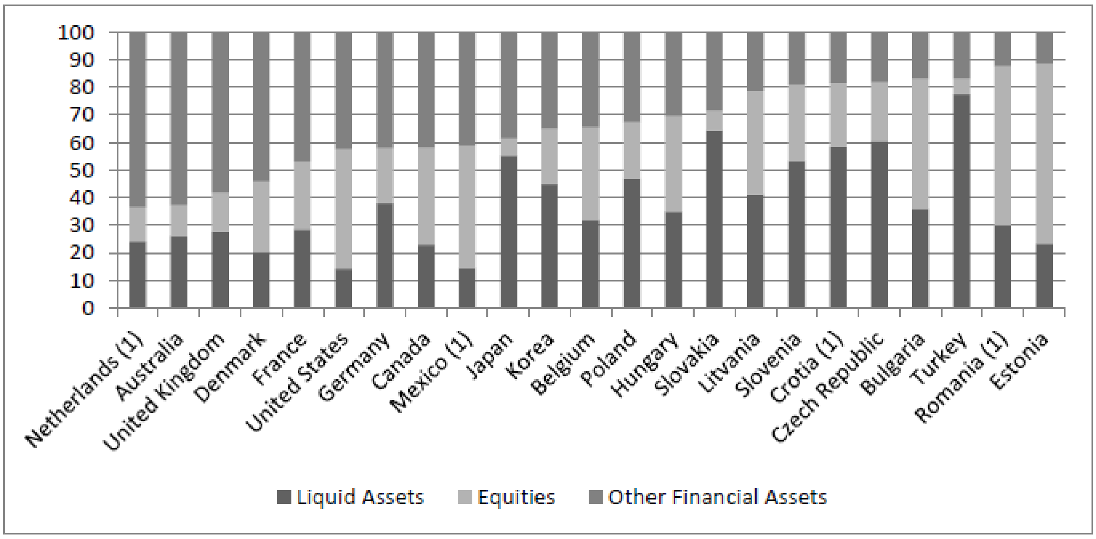


Figure 4.5 Unemployment Rate

Source: IMF, http://data.imf.org/?sk=388DFA60-1D26-4ADE-B505-A05A558D9A42.

Nevertheless, the financialization of households is not limited to their liabilities. Financial assets of households have also been increasing significantly – mostly consisting of pensions and insurance particularly in developed countries while the holding of currency and deposits is higher in developing countries. In developed countries, workers' savings have been channeled towards financial markets by state policies. Since 1978, serious of (de-)regulations made pension savings also available for open financial market transactions (Lapavitsas,2009: 19). As it is clear from the figure, in Turkey, household financial assets are mainly composed of liquid assets. Based on these differences, it can be argued that financialization of personal income has been more in the form of borrowing rather than asset acquisition. With the impact of privatizations in the public provision system and dismantling welfare spending in those countries lead to increase in need for borrowing.

Nonetheless, financialization, as something that should be understood within the framework of neoliberalism, which is in turn a respond to the structural crisis of the 1970s.



Source: Credit Suisse (2011)

Figure 4.6 Breakdown of Financial Assets in the Household Portfolios, Worldwide, 2010

Changing relation of production in global scale combined with the social and economic changes related to financialization on the national scale can be captured on the level of banks, nonfinancial corporations and households. Before the conclude this section, I want to give one quotation from Bonefeld and Holloway (1995: 22).

"*The unregulated expansion of credit and the abrasive attack on the working class are closely interconnected. The more the dependence of capital over labor was sustained by credit, the more the state had to guarantee credit through the eradication of public deficits. The more the state cut back on welfare spending, on housing, health and social security, the more people were forced into debt in order to maintain a tolerable standard of living. The more the whole existence of capital was based on credit, the more capital needed to push changes in working practice, changes in technology and intensification of work as well as reductions in state expenditure in order to sustain the validity of credit. The more the state sought to reduce its social expenditure, the more private debt became means either of securing the newly-won property rights or of sustaining basic subsistence levels.*"

In this light, the next sub-section will focus on financialization of household income in Turkey and analyze the implications of use of credit cards and consumer loans extended in recent years.

4.2 The Rise of Consumer Credit and Household Debt in Turkey

Over the last decade, private consumption has become a key driver of the Turkish economic growth. In fact, the share of private consumption in GDP increased from an average of 68% in 1990s to 71% in the post- 2001 crisis era. Further, private consumption constituted 5.2 percent of Turkey's average GDP growth rate of 6.8 percent. Once again, the question is how this domestic consumption is financed in the context of rising unemployment, stagnation of wages, deregulation of labor markets, and welfare losses in the social security system. Has social inequality been eliminated? Or, like experienced earlier, in the aftermath of economic crisis, in many East Asian and Latin American countries, in Turkey as well, booming consumption has been driven by growing consumer credits (IMF, 2006). Based on an analysis of the dynamics of the Turkish economy in the post-2001 era, it is clear that all these factors have contributed to the rise in household debt in Turkey.

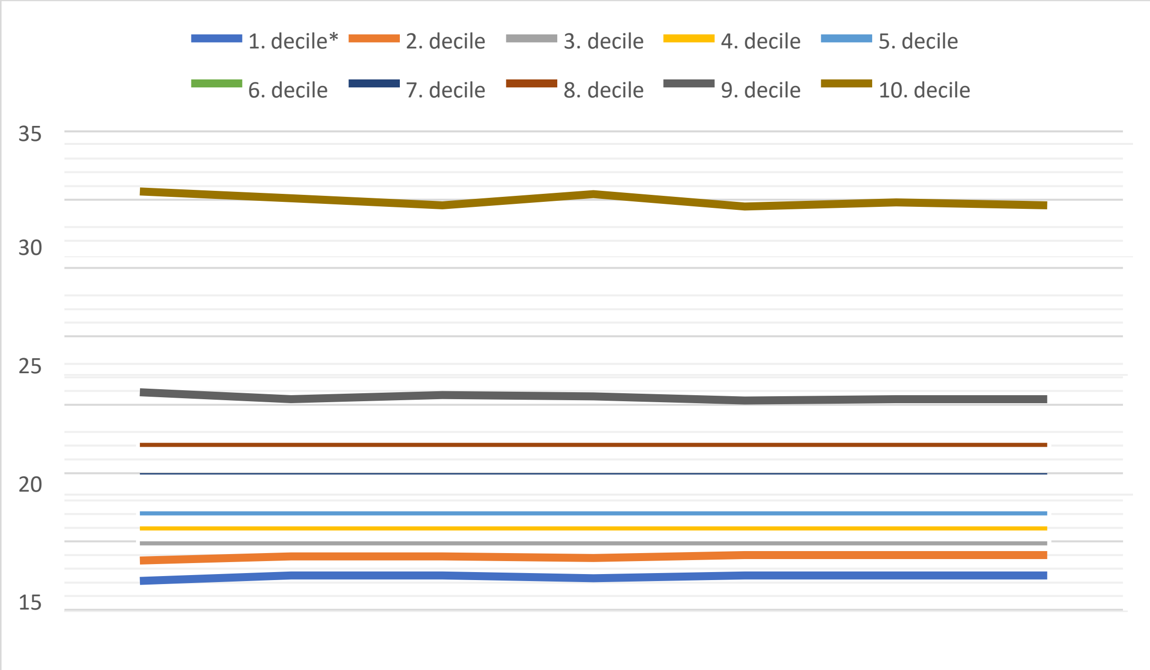


Figure 4.7 Distribution of Annual Household Disposable Income by Deciles Ordered by Household Disposable Income, 2006-2012

Source: TURKSTAT Database, Income and Living Conditions Survey, *When the households sorted in ascending order by household disposable income and divided into 10 parts, the bottom income group is defined as "the first decile" and the top income group is defined as "the last decile".

The figure 4.7 shows that the distribution of income became less unequal at first sight. While the share of the highest quintile declined (from 30,6 to 29,6) through the period while that of the lowest one indicated a slight increase between 2006 and 2012. Further, the share of richest tenth fluctuated around 30% of the total income, whereas the share of the poorest three tenths reached only 11,2% between 2006 and 2012. Indeed, the poorer half of the society increased its share in total income from 23,1% in 2006 to 24,6% in 2012, which was 5,2 percentage less than the share of the richest tenth. However, since the Turkish Statistical Institute does not give detailed information about the inner composition of the deciles, this prevent us from reaching comprehensive conclusions. Moreover, due to fact that these results are derived from a size distribution of income analysis, it neglects undistributed profits of capitalist firms so these results should be evaluated cautiously.

Based on a comprehensive report of the Ministry of Family and Social Policy in 2011, while 6,4% of all households had an income less than 430 TL, 32,1% had incomes between 450- 810 TL[36]. In March 2012, the hunger threshold of a family of four amounted to 1047 TL, while the poverty line was 3312 TL[37].Nevertheless, the reports do not give any information regarding of how many people these households consist. If we assume that all of them were single person households, almost all of them, that is,38,5% of all households would still remain below poverty line. Even if next income bracket: 23.1% of all households have income between 815 and 1200 TL was taken into account, the picture does not look any better. As the distribution of annual household disposable income by deciles was elaborated, it could be seen that the extremely unequal distribution of income has not changed at all over the last years.

According to calculations were conducted by DİSK-AR based on TURSTAT 2003-2012 Household Budget Survey Consumption Expenditures results and Ministry of Labor and Social Security statistics on net minimum wage, the purchasing power over the share of minimum wage, which can be deducted for food, has declined for many basic food items. In 2003, households with a minimum wage could allocate 40,6% of total income for food expenses while this ratio decreased to 29% in 2012 due to increasing compulsory expenditure items such as housing, heating and transportation. In fact, while the minimum wage increased by roughly 3 times, rent and housing expenses of minimum wage increased by 3,4 times and transportation expenses increased by 6,5 times between 2003 and 2012.

It is clear that the consumption patterns of households have changed rapidly with the dissolution in agriculture since 2000s. With the impact of rapid urbanization, basic needs such as transportation and housing have been increased. For the poorest 20% slice, the increase in spending for items such as transportations and housing can be evaluated together with this transformation. Consequently, the poorest 20% of income group already suffering from food poverty has had to reduce its share of food consumption. Therefore, it is not possible to evaluate the minimum wage except this process. Once more, minimum wage earners lost their purchasing power against basic food consumption despite the partial increases in real wages (on inflation).

[36] See Ministry of Family and Social Policy, 2011: 148.

[37] See DİSK-AR Institute. However, Confederation of Turkish Trade Unions released that In November 2011, the hunger threshold of a family of four amounted to 926.58 lira, while the poverty line was 3018.18 lira.

One more thing should be underlined that the average per capita consumption rose significantly between 2003 and 2012, while the ratio of consumption to wage rose in the most of the years which showing that wage income fell short of financing consumption. As Karaçimen underlines that over the past decade, consumer credit has penetrated into the daily lives of wage earner and low-income households and increasingly used to pay everyday expenses (2015, 752). Whilst there has been no redistribution of income, nor has there been any improvement in terms of real wages and employment as discussed previous chapter, this makes us direct our attention to household debt statistic.

Table 4.2. How much can the Poorest 20% pay to What?

Spending types	2003 TL	2012 TL
Total	236	720
Food and soft beverages	96	208
Alcoholic beverages, cigarettes and tobacco	13	36
Clothes and footwear	11	31
Housing and rent	70	240
Furniture, home appliances and home maintenance services	10	41
Health	5	13
Transportation	10	65
Communication	7	22
Entertainment and culture	2	11
Educational services	1	4
Restaurants and hotels	7	25
Various goods and services	5	22

Source: TURKSTAT, Household Budget Survey Consumption Expenditures and Ministry of Labor and Social Security statistics.

***** The minimum subsistence discount for 2012 and the tax annuity figures for 2003 was added on wages (divided by 12).

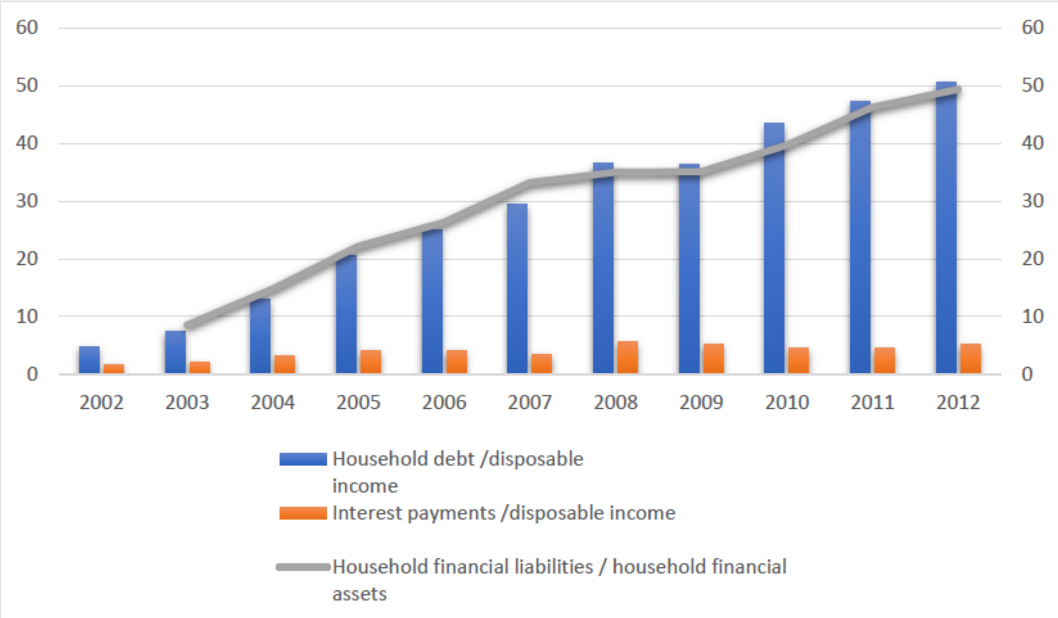


Figure 4.8. Households Debt Indicators

Source: CBRT, Financial Stability Reports (2006, 2008, 2010, 2011, 2013)

The period between 2004 and 2012, while the ratio of bank assets to GDP increased from 54.8 percent to 91.6 percent, while the ratio of bank loans to GDP rose from 18.5 percent to 54.3 percent over the same period[38]. Along with this expansion, Households, especially starting from 2002 onwards, increasingly relied on bank loans as a means to finance consumption (CBRT 2005). In fact, the share of consumer loans increased from 13.8 percent in 2002 to 33.7 percent of total credit in 2012. This is seen from the rising share of GDP, the total of consumer loans and credit card debt reached to 21.2 percent in 2013, from 1.8 percent in 2002[39]Due to growing consumer credit usage, household debt to disposable income rose from 4,7 percent to 50,7 in 2012. Further, the period witnessed a rapid increase in the household leverage ratio from 8,5 percent in 2003 to 49,4 percent in 2012. This indicates that the increase in household liabilities has not been matched by a similar increase in household assets.

These developments in the household balance sheet have been followed by a rise

[38] Statistical Reports, Banking System in Turkey (from 1958 to 2012). Available at http://www.tbb.org.tr/

[39] BRSA, Financial Stability Report, 2013

in the burden of debt servicing. That is, not only debt to disposable income ratio grew by 978,7% between 2002- 2012 and reached 50,7%. Interest payments of households tripled in the same period as ratio of disposable income. Although the ratio of household liabilities to GDP and disposable income remain low in comparison to the EU member countries and carry no exchange rate and interest rate risk because of the fact that variable interest rates are only allowed for housing loans and so the low level of loans with variable interest rates contain the household interest rate risk exposure[40], but the high rate of growth of households' financial liabilities is alarming. On the other hand, credit cards interest payment constituted significant determinants in the rise in Turkey's consumer debt service burden[41] While significant interest rate cuts have not been realized after 2006, the households' debt burden did not decrease because of growing household liabilities.

In spite of high interest rate, the cumulative growth rate of the number of credit cards over the period 2001- 2011 has been 265% (BRSA, 2011: 61). Further, as of 2011, credit card loans represented 8.1% of total bank loans which was about one fourth of individual loans (BRSA 2011: 33). This significant increase means not only successive strategies of banks in increasing their market share and profit rates, but also the changes in the consumption patterns of individuals (BRSA, 2011: 61). In terms of numbers of credit cards, Turkey is amongst the leading countries in the world (BRSA, 2011: 63). Accompanied with the growing numbers of credit cards, the numbers of POS stations also recorded a significant growth and reached near 2 million in 2011 BRSA, 2011: 58). Meanwhile, the numbers of ATMs also increased importantly in the same period with a 14,7% growth in 2011 alone. This brought about the extension of financial services to

[40] The household exchange rate risk was eliminated by impeding households borrowing in FX, and later with the amendment to Decree No. 32 in June 2009, also from FX-indexed borrowing (BRSA, 2013).

[41] High interest rates, especially on credit cards, have been a crucial issue in Turkey. Thus, in 2006, new the Bank Cards and Credit Cards Law was introduced. While Real Credit Card Interest Rate was 84,8% in 20006, according to the data from the CBRT, the annual compounded interest rate on credit cards was 27 percent as of 2013.

households and in this process, banks started to charge for several services, around 65 types, including credit card charges, late payment fees, and transfer fees (BRSA, 2012).

Parallel to the rising numbers of credit cards and ATMs and increasing consumer and credit card loans consistently, the banking sector able to earn the ever-increasing volume of commissions and fees from working classes' wages and incomes. Based on statistics from the BRSA, total income from fees, commissions, and banking services in the sector increased from $2.8 billion to $10.8 billion between 2003 and 2012 and their ratio to total income of the sector reached to 13,5%, from 7,5% over the same period. The truth is that a rising share of working classes' wages and incomes were allocated to interest payments, and commissions and fees payments in Turkey. Not surprisingly, the turn of the banking sector to individuals and households points out that financial expropriation was (and still is) a relevant phenomenon in Turkey. Although the living on debt does not have a long tradition in Turkey, consumer credit has increasingly penetrated into the daily lives of low-income households and increasingly been used to pay day-to-day expenses. In the case of the composition of consumer loans are analyzed, it becomes clear that these loans made up of mainly personal and housing loans.

Table 4.3. The Distribution of Loans Used by Goods and Services Groups (%)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vehicle	36,1	44,7	39,6	17,5	12,9	10,4	9,1	7,3	7,5	7,1	6,6
Housing	7,8	7,7	12,7	33,1	37,5	31,1	27,8	32,1	30,9	26,4	25,5
Other/ Persona	56,7	47,6	47,7	49,4	49,6	58,5	63,1	60,6	61,6	66,5	67,9

Source: Ministry of Development Database, Credits, and Distribution of Consumer Credits According to Commodity and Service Groups, http://www.mod.gov.tr/Pages/EconomicandSocialIndicators.aspx

* Other loans: Durable consumption commodities, education, vacation, nourishment, clothing, professional aim, etc.

As presented previously, consumer loans (vehicle, house and personal loans and credit cards) emerged as key growth areas of credit in the post- 2001 period.

Analyzing the composition of consumer loans, it becomes clear that these loans are mainly composes of personal and housing loans. The share of housing loans in total credits rose from 7,8% to 25,5 in the period between 2002 and 2012. The sharp increase in the share of housing loans to total loans in 2005 is striking. For the first time, private mortgages became a significant phenomenon in Turkey. The main reason behind this increase was related with the rapid decline in the monthly interest rates on housing loans, decreasing from 2.57% in mid-2004 to 0.99% by the end of 2005 (BRSA, 2006). In addition to this, the extension of maturities for housing loans was another important factor[42]. Nevertheless, housing loans are still limited in Turkey if compared with many developed and even developing countries (in spite of rapid increase). However, due to the extremely unequal income distribution, declining or stagnating real wages and rising rate of unemployment, it is not wrong to predict that the debt-led construction and housing boom depicted a bubble that contributed to the fragility of the entire system. Meanwhile a declining trend is observable in vehicle loans. One important reason for this trend is the measures taken in 2004 and 2005. Firstly, tax incentives implemented in purchasing cars was halved and it was eliminated completely at the beginning of 2005. Indeed, in August 2004, a special tax imposed on consumption credits was increased from 10% to 15% (BRSA 2011).

On the other hand, in the case of analyzing the distribution of loans according to different credit types, it is observable that although the amount borrowed on housing loans is high, the personal loans occupied the largest volume of share of the total consumer loans. It should be signified that personal loans are generally used for not only durable and semi-durable consumer goods and to pay for healthcare, education, and marriage, but also used to pay credit card debt, meaning that defaults on credit card payments can be a possible contributing factor to the rising volume of personal loans (CBRT, 2008). Consequently, consumer credit has significantly penetrated into the daily lives of low- income households and

[42] As a result of increasing urban regeneration program, government has prevented constructing unauthorized dwellings in squatter settlements and it has also destroyed the existing ones. By doing so, government prevent housing needs to be met in alternative ways.

increasingly been used to pay day to day expenses over the last decade. In fact, the data released by the BAT indicated the details of the consumer loans extended according to borrowers' income and occupation.

Table 4.4. Percentage of Consumer Loan Borrowers by Income Groups

Monthly Income	2006	2007	2008	2009	2010	2011	2012
< 1.000 TL	31.4	31.0	37.6	42.5	41.7	42.9	38.1
1.001-2.000 TL	16.8	21.8	24.0	28.2	27.9	25.8	25.2
2.001-3000 TL	5.9	6.7	8.0	10.0	11.4	11.7	13.1
3.001-5.000 TL	4.8	5.7	5.6	6.2	6.0	5.6	6.4
> 5000 TL	7.9	5.8	6.6	6.8	6.3	5.4	6.6
Unclassified	33.0	28.9	18.1	6.2	6.6	8.5	10.5
Total number of Borrowers	4,978,965	5,337,247	5,838,184	6,540,736	8,041,700	8966,464	8.984.860

Source: BAT (Banks Association of Turkey), Selected Statistics, Consumer Loans and Housing Loans, https://www.tbb.org.tr/en/banks-and-banking-sector-information/statistical-reports/20.

In the initial phases of their introduction in the late 1980s and early 1990s, consumer credits used as alternative payment methods for installment plans proposed by manufacturers for the purchase of consumer durables such as furniture and cars. Therefore, at first, Turkey's expanding consumer credit market would greatly serve upper and middle-income households since they had stable incomes. In spite of the fact that the percentage of borrowers in the unclassified category appears very high until 2009, if the years between 2006 and 2009 were analyzed, the 35, 6 percent of borrowers of consumer loans were people who earned less than 1, 000 TL. Moreover, on average, 23 percent of the borrowers consist of people whose average monthly income was between 1, 000 TL and 2,000 TL, over the same period. Furthermore, if the later years, from 2009 to 2012, were considered, 41.3 percent of borrowers of consumer loans were people who earned less than 1000 TL. On average, 26.8 percent of the borrowers consisted of the people whose average monthly income was between 1,000 TL and 2,000 TL over the same period[43]. Hence, these two low-income groups together constituted nearly two-thirds of the total borrowers of consumer loans between 2009 and 2012, and they are those most prone to future debt problems (Bahçe et. all, 2013).

Table 4.5. Percentage of Consumer Loan Borrowers by Occupation in Turkey

	2006	2007	2008	2009	2010	2011	2012
Employed	44.6	49.5	49.4	54.8	54.1	51.4	52.4
Self-employed	6.5	7.6	7.6	7.0	7.2	7.4	8.01
Other	16	14.7	25.4	33	33.1	33	33
Unclassified	32.9	28.1	17.5	5.2	5.4	8	6.5

Source: BAT (Banks Association of Turkey), Selected Statistics, Consumer Loans and Housing Loans, https://www.tbb.org.tr/en/banks-and-banking-sector-information/statistical-reports/20.

The composition of borrowers by occupation indicates that wage earners constitute the largest share of consumer loan borrowers. This should be affiliated with the fact that wage earners with fixed incomes serve as credible borrowers since many banks accept wages as collateral for growing consumer loans. Nevertheless, the extension of precarious and flexible forms of employment as well as rising unemployment and late payment of wages resulted in on the one hand, the use of credit as a wage substitute, on the other hand, it became increasingly impossible for the repayment of loans to be made regularly. Not surprisingly, the turn of banking sector to individuals and households in framework of stagnating real wages and rising rate of unemployment end in soaring non-performing loans.

The Central Bank and other regulatory bodies paid special attention to this weakness and so issued warnings in press releases. To illustrate, the Central Bank warned that banks should apply stricter terms in the case of providing consumer loans (CBRT, 2008: 49). The sharp rise in 2009 follow- up conversion rate have been declining.

[43] Own calculation from the table 4.4

However, the increasing household indebtedness along with the sharp decline in household savings have still posed threats to economy. The 20% increase in 2012 in credit card and consumer loan defaulters forced the government to consider the issue once again (CBRT, 2013).

Table 4.6. Credit Follow-up Conversion Rate by Sub-Segments (%)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total Loans	21.2	11.5	6.0	4.7	3.7	3.5	3.7	11.3	33.7	23.7	22.9
Consumer Loans	22.9	11.7	00.8	00.7	00.9	11.5	22.6	44.5	22.9	11.9	22.2
Cred it	55.1	33.8	44.6	77.8	88.0	66.8	77.0	111.6	88.7	66.2	55.3

Source: BRSA (2009,2010,2012,2013)

To recap, it is high likely households in Turkey will encounter austere problems in repaying their debt, because of slowdown in growth rates across many developed countries, many with which Turkey has trade relations. In a world of decreasing real wages, increasing unemployment and significant increase in consumer and credit card loans, the situation might result in similar household debt crises which have hit many European countries in recent years. Since the analysis of merely the growing extent of household debt, it prevents us from analyzing the financialization of household income and in assessing the burden of consumer debt. Therefore, in the following parts, it will be considered what happens to household financial assets in Turkey.

4.3 The Financialization of Household Assets in Turkey

As presented in previous chapter, unlike developed countries, financialization of household assets has not a major phenomenon in developing countries so far. An analysis of the balance sheets of the household sector in Turkey affirms this observation. Although households' debts increased significantly, borrowing debt has not been used for investing in real and financial assets, and so the loss from interest payments cannot be compensated by income earned from assets such as bonds, stocks, rental properties and other financial instruments.

Table 4.7. Composition of Household Financial Assets in Turkey (%)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TL Deposits	29.1	33.3	41.2	40.6	45.5	51.2	49.9	52.7	51.9	50.7
FX Deposits	35.2	32.2	27.2	26.8	25.0	24.2	23.3	20.1	20.6	20.1
Currency in Circulation	6.4	6.5	8.3	8.8	8.4	8.3	8.4	9.3	9.1	9.0
Government Securities and Eurobond	22.4	20.5	14.8	10.1	6.3	5.3	3.3	2.0	1.9	1.0
Mutual Funds	n.a	n.a	n.a	6.3	7.2	5.6	6.2	5.9	4.7	4.3
Stocks	5.1	6.5	7.1	5.6	5.6	2.9	5.9	6.8	5.5	6.3
Private Pension Funds	0	0.2	0.5	1.0	1.5	1.7	2.1	2.5	2.6	3.4
Repos	1.78	0.8	0.7	0.7	0.6	0.6	0.5	0.3	0.3	0.6
Precious Metal Deposits	n.a	n.a	n.a	n.a	0.0	0.1	0.3	0.5	2.5	2.9
Total Assets (Billion TL)	157.6	190.5	219.5	279.7	313.6	368.3	420.4	481.7	543.2	605.1

Source: CBRT (2006, 2008, 2010, 2011, 2013).

As the table 4.7 indicates, deposits occupied main place in households' financial assets in Turkey. In fact, while in the age of financialization, the importance of deposits has declined in many countries, in Turkey, this trend has been reversed. To illustrate, the total share of TL and FX deposits reached to 70.8% in 2012, from 64.3% in 2003. Further, although the private pension system introduced in 2003 in Turkey, there has been small increase in the share of private pension funds in the household portfolio. Meanwhile, it is seen that the share of government securities and Eurobonds has shown a decline in Turkey. Consequently, household financial assets in Turkey has not changed significantly. Therefore, the financialization of household income has mainly taken place through a rise in household debt. It was deducted from household leverage ratio which increased from 8.5% to 49.4% in the period between 2003 and 2012.

In this context, it can be argued that the expansion of household credit does not bring about higher financial wealth in Turkey. Studies that have looked at the wealth effect consider the link between housing prices and consumption with the increased usage of housing loans, high rate of home ownership and rising house prices in Turkey. As discussed above, through this period, governments stimulated the homeownership with various state policies by easing the conditions for accessing to housing credit. Thus, there has been a sharp rise in housing loans afterwards[44].According to the statistics from the TURKSTAT, the homeownership rate in Turkey was 60.6 percent by 2012. However, the special growth in the housing market has led to rise in many concerns about real estate bubble risk in the media (Sönmez, 2013).

Binay and Salman (2008) shows that there have been positive and significant wealth effects in Turkey by using rent and price index for the 1990- 2005 period. However, Van Rijckeghem (2010) questioned the validity of the wealth effect since according to him, housing wealth and consumption can grow independently from each other, during an economic prosperity. Also, without suggesting a correlation, it should keep in mind that while the wealth effect does only hold for homeowners, tenants have been negatively affected in the rising house prices. When the household budget survey released by the TURKSTAT is critically elaborated, it will be seen that rent and house expenditure constitute 25 percent of total household consumption expenditures as of 2012. It pointed out that spending of tenant expanded much more than homeowners in nominal terms (Duman, 2013). Due to stagnated and/ or not increased real wages over the periods, he argued that tenant should have financed their excessive spending by borrowing. Therefore, the welfare improving effects of the growth in consumer credit cannot be separated from the problems associated to the rising household debt levels. The ratio of consumer loans and credit cards to consumption of resident households increased from 3.0 percent in 2002 to 31.0 percent in 2013 (BRSA, 2013). In fact, evidence on the usage of consumer credit especially by lower income people assist this argument. As elaborated above, in the period between 2009 and 2012, two low-income groups together represent nearly two thirds of total borrowers of consumer loans. In this respect, it can be argued that the expansion of household credit does not bring about higher financial wealth in Turkey.

[44] See Table above, the distribution of loans used by goods and services groups (%).

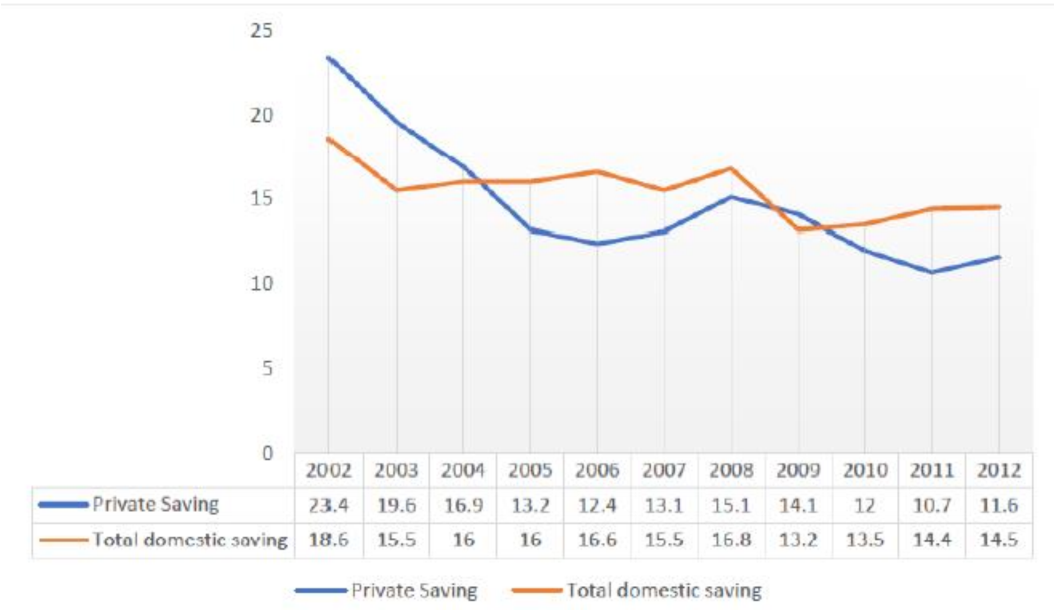


Figure 4. 9 The Share of Private Saving and Total Domestic Saving in GDP

Source: Ministry of Development,
http://www.kalkinma.gov.tr/Pages/TemelEkonomikGostergeler.aspx**.**

Accompanied with the rising use of credit to finance consumption, based on the data from Ministry of Development, the private saving ratio as a share of GDP declined from 23,4% in 2002 to 11,6% in 2012. It is also clear that total domestic saving has followed same pattern. On the other hand, Rijckeghem and Üçer (2009) pointed out that household savings can be assumed to follow a similar pattern to that of private savings, based on the household budget survey data released by the Turkish Statistical Institute, because of the fact that the data regarding private savings by corporate and household sectors is not separately available. According to the financial report of Central Bank (2013), household savings as a percentage of household disposable income fell from 17.0 percent in 2004[48] to 7.3 percent in 2012.

All in all, during the same 10-year period, it needs to be noted that private consumption has been an important source of growth, however, this has been accompanied with a significant decline in private savings which has reached its lowest level since 1998 (Karaçimen, 2013: 123). On the other hand, the rise in household debt levels has not resulted in a similar increase in households' financial assets. That is, the burden of increased debt levels of households was unable to be compensated by a rise in gains from asset acquisition. Consequently, the potential macro problems regarding a growth strategy which based on credit finances domestic consumption started to impose a further constraint on economy as low savings relative to investment in the face of growing consumption resulted in deepening of the current account deficit which is a major concern for the Turkish economy. Therefore, the finances and the growth of the Turkish economy is seen as extremely fragile and vulnerable rather than solid and sustainable, both in terms of foreign capital inflows and also class struggle. Once more, Turkey has been growing through the impoverishing the working classes and creating indebted people.

4.4 Concluding Remarks

The penetration of financial activities into daily lives of the households is the outcome of neither spontaneous, nor arbitrary decisions. I tried to demonstrate this by analyzing the Turkish case, drawing on the evidence from low-income households and wage earners, consumer debt in Turkey has become an integral part of the daily life of workers in order to support basic reproduction of labor power.

As a consequence of deregulation of labor market, stagnant and/or decreasing real wages, rising unemployment, and privatization of public goods, wage earners have become more dependent on borrowing. Secondly, after especially 2001 crisis, banking sector underwent major transformations in Turkey. With the impact of these transformations, banks increased orientation towards consumer lending. As Karaçimen (2013) pointed about, the process brought about a decomposition of the holding structure of the banking sector which created conditions for foreign bank entry and increased the concentration ratio. In this context, banks started to search for alternative ways of making a profit since banks' opportunities to finance the public deficit has been reduced with the implementation of fiscal and monetary policies in the post-crisis period. Furthermore, the reliance of Turkish corporations on domestic banks has been reduced by increasing access to international credit markets. According to the World Bank's report, Global Development Finance 2007, lower international interest rates along with excess global liquidity conditions reduced the cost of external financing for developing-country corporations. As a result, they raised vast sums of funds from international markets. Hence, firms in developing country like Turkey mostly borrowed particular from Eurobond and U.S. Dollar from foreign banks and foreign branches of domestic banks. However, this does not mean that the bank-based character of the financial market was limited in Turkey.

In addition to the banks of developing countries found greater access to foreign funding which contributed also to increase in consumer credit, the growing foreign bank presence made a pull and push effect which stimulated domestic banks started to interest in consumer banking. As mentioned above, foreign banks were already specialized in consumer lending and also the growth the potential of the consumer lending in Turkey seemed to be stimulated by foreign banks. They did so not only by targeting consumers themselves but also by triggering competition in the banking sector as a whole. Not surprisingly, domestic banks soon followed same path with foreign banks. That is, the financial sector opened room for the expansion of consumer credits which paved the way for integrating individuals into finance through transformations in their saving and borrowing patterns. Consequently, all these has created the conditions for the penetration financial activities into daily lives of household in Turkey. Analyzing the Turkish economy, we see that in Turkey, the rise in household financial assets is well below the rise in household liabilities, indicating that rise in financial wealth is rather weak in Turkey. Although financialization has provided individuals with greater access to financial services such as consumer loans and credit cards, the process has been creating a remarkable growth in household debt. Hence, in the age of financialization in Turkey like many other countries, banks turned towards individual income as a source of profit (Dos Santos 2009) by expanding of consumption, mortgage and auto loans provision.

CHAPTER 5

CONCLUSION

The growth of production and the reproduction of capital on an extended scale do not mean the suspension of the contradictions within the capitalism. Hence, financial expansion emerged in a framework of falling rate of profit that is, coming out of the contradictions of capital. During the last four decades, financial instruments and transactions have exponentially grew. In the words of Epstein (2005: 3), as mentioned in Chapter 2 “financialization means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies”. While financial system has grown in terms of profits, employment, size of institutions and markets, it has been associated with a number of further developments.

The most analyses of financialization literature, focused on this study, have tended to fall into one of two camps. In one camp, especially post-Keynesian studies, pay attention to deregulation of financial markets over the past decades because the globalization of production and finance have been described as the causes of the economic crisis. Therefore, they fail to understand the primary tendencies at the level of capital accumulation process. Moreover, they cannot explain why the current crisis has not been restricted to financial markets since they have downplayed deep structural transformations within capitalism and its interconnection with problems of global overaccumulation (McNally, 2009: 9). I do justice to them since financial deregulation led to financial explosion and speculation over economies and significant factor in the current crisis. However, financial liberalization emerged as a response to structural problem of capitalism. The other approach to financialization focus on deeper problems at the level of capitalist accumulation, particularly the decline in the rate of profitability from the mid-1960s. McNally (2009) and Lapavitsas (2009) criticized these approaches because of disregarding the specific dynamics of capitalist restructuring and accumulation in the neoliberal period.

McNally (2009) underlined five dynamics are significant in the 1980s and 1990s, which are geographic shifts in manufacturing (expansion in lower-wage areas), downward pressure on wages, increases in labor-productivity (relative surplus value) and increase in work hours (absolute surplus value), cuts social and economic rights. These strategies did not only bring about the subordination of labor and worsening circumstances for wage earners but also were good at overcoming the profitability problems, however, temporarily. The financial expansion in the last quarter of the 20th century can be analyzed within such a perspective. Therefore, financialization can be the outcome of neither spontaneous, nor arbitrary decisions. It should be perceived within the structural framework of the capitalist mode of production, instead of a conflict between the productive and financial sphere. What is missed here is the role of the state in the financialization process. I think that it is necessary to open discussion over the role of the state and its intervention into the financial sector, in the light of deregulation of financial sector, liberalization of international capital flows, proliferation of new financial instruments.

The role of the state is also critical for perceiving distinctiveness the financialization in “emerging markets” since financialization has been experienced in different ways by developed and developing countries. The financialization literature focuses mostly on the recent transformations in global economy and particularly, advanced capitalist economies. The “peripheral financialization” (Becker et al., 2010) is different from Anglo-Saxon financializaton in the sense that former was depend on high interest rates and capital flows which bring about external imbalances and deteriorating productive capacity at the same time. Moreover, huge international capital flows to developing countries forced them to accumulate international reserves which in turn served to the resource transfer to the advanced capitalist world, particularly served to finance the US current account deficit. If global economy is not conceived as an aggregate of national economies then it should be underlined that the “peripheral financialization” impacted upon the Anglo-Saxon financialization (Boratav, 2009). Put differently, financialization become a global process involving developing countries. Following up capital account liberalization, developing countries had intense experience of impact of financialization.

The main theoretical contribution of this work is based upon those two points of criticism. I tried to demonstrate this by analyzing the Turkish case. The restructuring of state was significant for deepening the financial market and coping with the contradictions during the process of financial liberalization and the financialization of accumulation. The process of integration of Turkey into the global economy goes parallels with other developing countries in the era of financialization, while the process started in the 1980s, it reached a peak in the 2000s. Through 1990s, the Turkish state played a very active role in the reallocation of public resources via financial mechanism. However, this does not mean that productive capitalist suffered from this process since as a defining feature of late-coming economies, the conglomerate structure in Turkey integrates the industrial and financial capital in itself. In the wake of the 2000-1 crisis, the Turkish state has played important role over the financialization of economy. The high interest rates, rising external debt, overvalued currency and dependency on capital flows became the main elements in financialization in Turkey. As a result, Turkish capital has been integrated into global financial system. However, this way of growth was unstable and increased the fragility of the economy since the country has been opened to the full effects of financialization which manifested itself as growing capital inflows, attacking all aspects of the economy. On the other hand, the state in Turkey has played a vital role in supporting a debt-driven accumulation strategy, which has been marked not only low gross-fixed capital formation rate, high interest rate and growing dependence on global capital flows. Moreover, Turkish state as every capitalist state has played a major role in facilitating, normalizing conflicts inherent in capitalist accumulation process through monetary and fiscal policy formations, ideological strategies and supporting strategies regarding the financial inclusion of wage earners via consumer credits. That is, the state smoothly serves the interests of capital in Turkey.

Even though the Turkish economy converted the 2000-1 crisis into an opportunity, Turkey is among most vulnerable countries in the global crisis in 2007-8. It was always the working classes that suffered the effects of crises since the recovery bring about much more unemployment, wage cuts, cuts in social expenditure and so on. This has been undoubtedly based on the weakness of the working-class movement during this period. What I want to say is that the crises were used as an opportunity to consolidate neoliberal policies and financialization in favor of domestic and foreign capital. Through social and economic policy, state paved the way for financialization by providing the necessary legal framework. Therefore, financialization should not be seen as an enforcement of external forces on developing countries. As discussed above, fractions of domestic bourgeoisie gain lots of advantages in return for financialization. That is, domestic bourgeoisie was willing to integrated in international markets after the import substitution model reached its limits. International capital exploit also the opportunities with regard to financialization. Extraordinary capital flows in the form of foreign direct investment (FDI) and portfolio investment were directed toward developing countries due to search of profitable markets and investment opportunities.

In the theoretical part of the thesis, I closely elaborated the arguments of Lapavitsas and Dos Santos about financialization in general and financialization of households in particular. Their main emphasis is relating with the changes in the main sectors of economy namely firms, banks and households. However, the observation of Turkish economy shows that although firms started to engage in finance and borrowing money from foreign banks, their reliance on domestic banks has not decreased significantly. That is, a transition to more market base financial system has not brought about crucial changes in the operation of firms with finance. Moreover, while finance has penetrated into daily life of wage-earners in Turkey, it has been realized through borrowing from banks. Hence, financial inclusion of wage earners is one sided and so financialization of household assets has not a major phenomenon in Turkey as many developing countries.

It is clear that financialization brought about social discipline upon key social agents which include the state, domestic bourgeoisie and financial sector itself. However, the most rigid forms of discipline have been imposed upon the working class. Through the global restructuring of production, hundreds of millions of workers faced with transformed the patterns of employment, wage cuts, restriction to subsidies, social and economic rights. Another point to be taken as an issue of the reproduction of the working class by the expansion of personal credit in the last decades. These offered highly profitable lines of business for many financial institutions via extraction of part of the income within the circulation field. When we come to Turkey, due to abolition of social and economic rights, rapidly privatizations of health care, education and housing services besides a growing rate of unemployment and stagnating and/or declining real wages means nothing but forcing households into borrowing on the financial markets. Put differently, the wage-earners had to be involved in finance for accessing consumption goods, meet the needs of health and education, housing in the face of misery conditions. Consequently, the more working-class people are subordinated to financial markets in order to meet their basic needs concerning consumption, education, health care and housing.

All of these shows that the relationship presents uneven characteristic since individuals are forced into debt. Consequently, the banks have ability to arrange things in favor of their own interests and so they can extract more profits from wages and salaries of the working classes. It is not surprise that many households became either chronically indebted or increasingly reliant on asset price inflation, or both to meet their reproduction of daily life. Put differently, unlike wealthiest households, working-classes used credits in order to sustain living standards. Therefore, the reproduction of labor power is itself a great mechanism for transferring wealth from wage-earners to banks, which indicates the distribution of wages incomes between different fractions of capital, in the form of interest payments. Like capital, labor have started to have its conditions of existence become highly related with the rate of interest. The consumption/investment activities of workers depend on what proportion of income is necessary to service debt and what is left for consumption. In this light, debt has turned a powerful weapon for disciplining the working-class due to the pressure of debt-repayment. Under precarious working conditions and stagnant wages, people had to accept to work longer hours and even they can work in two jobs at the same time in a context of growing casual and temporary work.

Last but not least, Marx referred so-called "labor's double freedom". Workers are not only free from attachment from the means of production (as under feudalism) but also free to sell their labor power as they choose (1867: 272-273). Bryan, Martin and Rafferty (2009: 7) argued that labor has another double freedom in the sphere of finance.

"Labor is free to accumulate (a re-attachment to capital) and free to convert part of their income into surplus value (interest payment). While the original double

freedom imposed the costs of non- compliance onto labor (starvation), the new double freedom imposes the costs also onto capital (insolvency). As shown by the U.S. sub-prime housing market, the effect of labor being unable to meet credit commitments manifests not just as a fall in the value of labor power (lower consumption), but also as costs to capital as creditor. Herein lies a dimension of labor's contribution to financial volatility: not as resistance in "the factory," but by its failure to perform as capital."

Even this quotation depicts situation for early capitalist countries such as USA and UK. What I want to remark what is capitalism? In my opinion, Marx gave best answer this question at centuries ago. According to him, capitalism is a relationship in which people were separated from the means of work and the organization of the economy. For that reason, in order to survive, people must sell their ability to work to those who own means of products, called as capitalists. And, capitalists simply interest in making profits (and more profits) by exploiting workers, that is making their capital grow. As indicated above, not only creation and appropriating surplus and its redistribution among capital fractions but also the impacts of financialization over working classes, the conflict is still based on class relations.

REFERENCES

Aglietta, M. (1998) "Capitalism at the Turn of the Century: Regulation Theory and the Challenge of Social Change", *New Left Review I*, 232: 41-90.

Aglietta, M. (2000) "Shareholder Value and Corporate Governance: Some Tricky Questions", 29 (1): 146-159.

Aglietta, M. (2008) "Into a New Growth Regime", *New Left Review*, 54: 61-74.

Aglietta M and Breton R (2001) Financial systems, corporate control and capital accumulation. *Economy and Society* 30(4): 433–66.

Akyüz, Y. (1993) "Financial Liberalization: Key Issues", UNCTAD Discussion Papers, No: 56.

Akyüz, Y. and Boratav, K. (2003) "The Making of Turkish Financial Crisis", World Development, 31 (9): 1549-1566.

Arrighi, G. (1994): The Long Twentieth Century: Money, Power and the Origins of Our Times. London: Verso.

Arrighi, G. (2003) "The Social and Political Economy of Global Turbulence", *New Left Review* (new series), 20: 5-71.

Arrighi G (2007) Adam Smith in Beijing: Lineages of the Twenty-First Century. London: Verso

Aydın, F., Saygılı, H. and Saygılı, M. (2007) "Empirical Analysis of Structural Change in Turkish Exports", Research and Monetary Policy Department Working Paper No: 07/08, The Central Bank of the Republic of Turkey.

Aydoğuş, I. and Öztürkler, H. (2006) "Merkez Bankası Döviz Rezervlerinin Sosyal Maliyeti", Afyon Kocatepe Üniversitesi İ.İ.B.F. Journal.

Bağımsız Sosyal Bilimciler (2012) IMF Gözetiminde On Uzun Yıl, 1998-2008: Farklı Hükümetler, Tek Siyaset. İstanbul: Yordam, 2. Edition

Bahçe, S. & Köse, A., H. (2016) "Financialisation/Borrowing Circle as a Solution to an Unpleasant Conundrum: Observations from the Mature Neoliberalism in Turkey", Research and Policy on Turkey, 1:1, 63-74.

Bakır, C. and Önis, Z. (2010) "The Regulatory State and Turkish Banking Reforms in the Age of Post-Washington Consensus", *Development and Change,* 41 (1): 77-106.

Balkan, N. (1994) *Kapitalizm ve Borç Krizi*, Istanbul: Bağlam Yayınları.

Balkan, N. & Yeldan. E. (2002) "Peripheral Development under Financial Liberalization: The Turkish Experience" in N. Balkan & S. Savran (eds) The Ravages of Neo-Liberalism: Economy, Society and Gender in Turkey, New York: Nova Science Pub.

Baran, Paul A. And Sweezy, Paul M. (1968): Monopoly Capital: An Essay on the American Economic and Social Order. Suffolk: Pelican Books.

Barba, A. & Pivetti, M. (2009) "Rising Household Debt: Its Causes and Macroeconomic Implications—A Long-period Analysis", Cambridge Journal of Economics, 33(1): 113-137.

Başlevent, C. and A. Acar (2015) "Recent Trends in Informal Employment in Turkey", Yıldız Social Science Review, 1 (1), pp. 77-88.

Becker, J., Jager, J., Leubolt, B. and Weissenbacher, R. (2010) "Peripheral Financialisation and Vulnerability to Crisis: A Regulationist Perspective", *Competition and Change,* 14 (3-4): 222- 247.

Bonefeld, W. & Holloway, J. (1995) "Conclusion: Money and Class Struggle" in W.

Bonefeld & J. Holloway (eds) Global Capital, National State and the Politics of Money, pp. 210-227, London: Macmillan Press.

Bonizzi, B. (2013) “Financialization in Developing and Emerging Countries”, International Journal of Political Economy, vol. 42, no. 4, Winter 2013–14.

Boratav, K. (1994) “Contradictions of Structural Adjustment: Capital and State in the Post-1980 in Turkey” in Öncü et al. (eds), Developmentalism and Beyond: Society and Politics in Egypt and Turkey, Cairo: The American University in Cairo Press.

Boratav, K. (2007): Dünya Ekonomisinde Değişimler ve Türkiye’ye Yansımaları. Bağımsız Sosyal Bilimciler. http://www.bagimsizsosyalbilimciler.org/Yazilar_Uye/Boratav_Mayis07.pdf

Boratav, K. (2009) "A Comparison of Two Cycles in the World Economy: 1989-2007", http://www.rrojasdatabank.info/crisisdb/World_Economycycles.pdf

Boratav, Korkut (2010): Üç Krizde Dış Kaynak Hareketleri. Bağımsız Sosyal Bilimciler. www.bagimsizsosyalbilimciler.org/Yazilar_Uye/BoratavMayis10.pdf

Boratav, K. Yeldan, E. & Köse, A. (2001) "Globalization, Distribution and Social Policy: Turkey: 1980–1998. in External Liberalization, Economic Performance and Social Policy" in L. Taylor (eds) *External Liberalization, Economic Performance and Social Policy*, pp.317-364, London: Oxford University Press.

Boratav, K. & Yeldan, E. (2002) “Turkey, 1980-2000: Financial Liberalization, Macroeconomic (in)-stability, and Patterns of Distribution”, CEPA and the New School for Social Research.

Boyer, R. (2000) “Is a Finance led Growth Regime a Viable Alternative to Fordism: A Preliminary Analysis”, Economy and Society, Volume 29, Number 1, p: 111- 145

Boyer, R. (2005) “From Shareholder Value to CEO Power: The Paradox of the 1990s”, *Competition and Change*, 9 (1): 7-45.

Boyer, R. (2009) “How New will the Next Regulatory Regime be?”, *DIIS Working*

Paper, 2009: 29, http://www.diis.dk/graphics/Publications/WP2009/WP2009-29_how_new_next_regulatory_regime_web.pdf

Brenner, R. (2002) "The Boom, the Bubble and the Future: Interview with Robert Brenner", Challenge, 45(4): 6-19.

Brenner, R. (2004) "New Boom or Bubble", New Left Review, 25(January-February): 57-100.

Brenner, R. (2006) *The Economics of Global Turbulence*, London: Verso.

Brenner, R. (2009), "What is Good for Goldman Sachs is Good for America The Origins of the Present Crisis" <http://escholarship.org/uc/item/0sg0782h>

Bryan, D. Martin, R. and Rafferty, M. (2009) "Financialization and Marx: Giving Labor and Capital a Financial Makeover", *Review of Radical Political Economics*, 41 (4): 458-472.

Cammack, P. (2006) "The Politics of Global Competitiveness", *Papers in Politics of Global Competitiveness*, no 1, Manchester Metropolitan University.

Celasun, M. and Rodrik, D. (1989) "Debt, Adjustment and Growth: Turkey", Book IV of Sachs, J. and Collins, S. (eds.) *Developing Country Debt and Economic Performance, vol. 3, Country Studies – Indonesia, Korea, Philippines,Turkey*, Chicago: University of Chicago.

Crotty J (1990) Owner-manager conflict and financial theory of investment stability: a critical assessment of Keynes, Tobin, and Minsky. Journal of Post Keynesian Economics 12(4): 519–42.

Crotty, J. (2003) "The Neoliberal Paradox: The Impact of Destructive Product Market Competition and Impatient Finance on Nonfinancial Corporations in the Neoliberal Era", *Review of Radical Political Economics*, 35 (3): 271-279.

Demir, F. (2007) “The Rise of Rentier Capitalism and the Financialization of Real Sectors in Developing Countries.” Review of Radical Political Economics 39, no. 3: 351–59.

Denizer, C. (2000) “Foreign Entry in Turkey’s Banking Sector, 1980-1997”, in Claessens, S. &

M. Jansen (eds) The Internationalization of Financial Services: Issues and Lessons for Developing Countries, Boston, Mass.: Kluwer Academic Press.

Doğruel, F., Doğruel, A.S. & İzmen, Ü. (2010) "Changes in Exchange Rates and the Performance of the Manufacturing Sectors in Turkey", Topics in Middle Eastern and North African Economies, 11.

Dos Santos, P. (2009) “At the Heart of the Matter: Household Debt in Contemporary Banking and the International Crisis”, Research on Money and Finance Discussion Paper Series no 11, http://www.researchonmoneyandfinance.org/media/papers/RMF-11-Dos-Santos.pdf.

Duman, A. (2013) “Household Debt in Turkey: The Critical Threshold for the Next Crisis”paper prepared for ECOMOD 2013, Prague file:///C:/Users/G%C4%B0ZEM%20SEMA/Desktop/fixit/HouseholdDebtinTurkeyAlperDuman.pdf (accessed on 15 March 2017).

Duménil, Gérard and Lévy, Dominique (2004): Capital Resurgent: Roots of the Neoliberal Revolution. Cambridge: Harvard University Press.

Dymski, G.A. (2009) "The Global Financial Customer and the Spatiality of Exclusion after the ‘End of Geography’", *Cambridge Journal of Regions, Economy and Society, 2(*2): 267-285.

Epstein, G. (2005) “Introduction: Financialization and the World Economy”, Epstein, G. (ed.) Financialization and the World Economy, Cheltenham: Edward Elgar, 3-16.

Epstein, G. & Yeldan, E. (2007) “Inflation Targeting, Employment Creation and Economic Development: Assessing the Impacts and Policy Alternatives” International Review of Applied Economics, 22(2): 132-143.

Ergüneş, N. (2009) Global Integration of the Turkish Economy in the Era of Financialisation. Research on Money and Finance, Discussion Paper no.8. http://www.researchonmoneyandfinance.org/media/papers/RMF-08-Ergunes.pdf

Ergüneş, N. (2010) “Transformation of the Turkish Banking Sector within the Financialisation Process of Turkish Economy”, IIPPE Financialisation Working Papers no 4.

Ertuğrul, A. and Yeldan, E. (2003) “On the Structural Weakness of the post-1999 Turkish Dis- Inflation Program.” In Turkish Studies Quarterly, Volume 4, No.2, pp.53-66.

Ertürk, İ. (2003) “Governance or Financialisation: The Turkish Case”, Competition and Change, 7 (4): 185-204.

Fine, B. (2010) “Financialisation as Neoliberalism: Engaging Neoliberalism”, Saad-Filho, A. and Yalman, G. (eds.) Economic Transitions to Neoliberalism in Middle Income Countries, London: Routledge, 11-23.

Federici (2010) “The reproduction of labour-power in the global economy, Marxist theory and the unfinished feminist revolution”, UC Santa Cruz Seminar.

Foster, J. B. (2007) “Financialization of Capitalism”, Monthly Review, 58 (11), http://www.monthlyreview.org/0407jbf.htm, retrieved on November 13, 2008.

Foster, J.M. &Magdoff, F. (2008) Financial Implosion and Stagnation, 60(7): 1-29.

Gowan, P. (2004) “Contemporary Intra-Core Relations and World Systems Theory”, Journal of World Systems Research, 10 (2): 475-490.

Grabel, I. (1995), "Speculation-Led Economic Development: A Post-Keynesian Interpretation of Financial Liberalization Programs", International Review of Applied Economics, 9(2): 127-149.

Graber, D. (2011) Debt: The First 5000 Years, Melville House, London.

Gültekin-Karakas, D and Ercan, F. (2008) “Türkiye’de Uluslararasılasma Sürecindeki Sermayenin Üretken ve Para Sermaye Arasndaki Zaman Yönelimli Stratejik Tercihi”, İktisat, İşletme, Finans, 262: 35-55.

Gültekin-Karakas, D. (2009) Global Integration of Turkish Finance Capital: State, Capital and Banking Reform in Turkey, Vdm Verlag Dr. Müller Aktiengesellschaft &Co. Kg.

Güngen, A. R. (2010) Fictitious Capital Speculation and Financialisation: Critical Moments of Instability, Crisis and Intervention in the Turkish Experience. IIPPE Financialisation Working Paper, no.5. http://www.iippe.org/wiki/images/5/50/Fictitious_Capital_Speculation_and_Financialisation. Pdf.

Güngen, A. R. (2012): Debt Management and Financialization as Facets of State Restructuring: The Case of Turkey in the post-1980 Period. PhD Thesis, Metu, Ankara.

Hanson J. A. (2005) "Post-Crisis Challenges and Risks in East Asia and Latin America" in G. Caprio,J. A. Hanson & R. E. Litan (eds) *Financial Crises: Lessons from the Past, Preparation for the Future*, pp. 15-62, Washington D.C: The Brookings Institution.

Harvey, D. (2005): A Brief History of Neoliberalism. New York: Oxford University Press.

Hein, E. (2012) "The Crisis of Finance-dominated Capitalism in the Euro Area, Deficiencies in the Economic Policy Architecture, and Deflationary Stagnation Policies,"Post Keynesian Economics, 36(2): 325-354.

Helleiner, E. (1994), States and Reemergence of Global Finance: From Bretton Woods to the 1990s, Cornell University: Ithaca.

Hilferding, Rudolf (1981): Finance Capital: A Study of the Latest Phase of Capitalist Development. London: Routledge.

Karaçimen, E. (2013) Political economy of consumer debt in developing countries: evidence fromTurkey. PhD Thesis. SOAS, London.

Krippner, G. (2005): "The Financialization of the American Economy." In Socio-Economic Review, Volume 3, No.2, pp.173-208.

Lapavitsas, C. (2003) Social Foundations of Markets, Money and Credit, London: Routledge

Lapavitsas, C. (2009) "Financialised Capitalism: Crisis and Financial Expropriation", Research on Money and Finance Discussion Papers no. 1, http://www.researchonmoneyandfinance.org/media/papers/RMF-01-Lapavitsas.pdf.

Lapavitsas, C. (2009a) "Financialisation Embroils Developing Countries", Research on Money and Finance Discussion Papers no 14, http://www.researchonmoneyandfinance.org/media/papers/RMF-14-Lapavitsas.pdf.

Lapavitsas, C. (2011): "Theorizing Financialization." In Work, Employment and Society, 25(4), pp.611-26.

Lapavitsas, C. & Dos Santos, P. (2009) "Globalization and Contemporary Banking: On the Impact of New Technology", Contributions to Political Economy, 27: 31-56.

Lapavitsas, C. and Mavroudeas, S. (1999) "Financial Systems and Capital Markets: An Alternative View", Siriopoulos, C. (ed.) Topics in Financial Economics and Risk Management Analysis, Paratiritis http://users.uom.gr/~smavro/syriopou.pdf.

Lazonick W and O'Sullivan M (2000) Maximizing shareholder value: a new ideology for corpo-rate governance. Economy and Society 29(1): 13–35.

Mader, P. (2014) "Financialisation through Microfinance: Civil Society and Market-Building in India", Asian Studies Review, 2014 Vol. 38, No. 4, 601–619.

Magdoff, H. & Sweezy, P.M. (1972) The Dynamics of U.S. Capitalism, New York: Monthly Review Press.

Magdoff, H. & Sweezy, P.M. (1987) "Capitalism and the Distribution of Income and Wealth," Monthly Review (October): 13–4.

Mahmud, T. (2010) “Is it Greek or déjà vu all over again? Neoliberalism, and Winners and Losers of International Debt Crises”, Loyola University Chicago Law Journal, Vol. 42.

Marois, T. (2009), “Emerging Market Bank Rescues in an Era of Finance-Led Neoliberalism: A Comparison of Mexico and Turkey”, SOAS Research on Money and Finance Discussion Paper, no 9.

Marx, K. (1976) [1867] Capital Volume 1, London: Penguin.

Marx, K. (1981) [1894] Capital Volume 3, London: Penguin.

McKinnon, R. I. (1973) Money and Capital in Economic Development, Washington D.C., The Brookings Institution.

McNally, D. (2009) “From Financial Crisis to World Slump: Accumulation, Financialisation and the Global Slowdown”, Historical Materialism, 17 (2009): 35-83.

Mihaljek, D. (2006) “Privatisation, Consolidation and the Increased Role of Foreign Banks” BIS Papers no. 28.

Mishkin, F. S. & Strahan, P. E. (1999) “What Will Technology Do to Financial Structure?”, National Bureau of Economic Research Working Paper, no. 6892, <http://www.nber.org/papers/w6892.pdf> (accessed 12 May 2016).

Narin, Ö. (2008) Teknolojik Değişim: Türkiye’de Üretim Araçları Üretimi (1996-2005), unpublished PhD thesis, Marmara Üniversitesi.

Orhangazi, Ö. (2008) Financialization and the U. S. Economy, Northampton: Edward Elgar.

Öniş, Z. (2009) “Beyond the 2001 Financial Crisis: The Political Economy of the New Face of Neoliberal Restructuring in Turkey” Review of International Political

Economy, 16:3.

Özatay, F. (2011) Finansal Krizler ve Türkiye, Istanbul: Doğan Kitap.

Özatay, F. (2014) “Likely Success Stories: Turkey”, Handbook of Emerging Economies, 2014, pp. 245-64.

Özdemir, A.M. & Yücesan-Özdemir, G. (2004) "Living in Endemic Insecurity: An Analysis of Turkey’s Labour Market in the 2000s", South-East Europe Review, 2: 33-42.

Özdemir, A.M. & Yücesan-Özdemir, G. (2006) "Labour Law Reform in Turkey in the 2000s: The Devil is Not Just in the Detail but Also in the Legal Texts", Economic and Industrial Democracy, 27(2): 311-331.

Özdemir, A. M. (2010) Ulusların Sefaleti, Ankara: imge Kitabevi.

Painceira, J. P. (2009) “Developing Countries in the Era of Financialisation: From Deficit Accumulation to Reserve Accumulation”, RMF Discussion Papers, no 4, February 2009. Saad-Filho, A. (2011) “CRISIS IN NEOLIBERALISM O R CRISIS OF NEOLIBERALISM?”, Socialist Register, 47: 242-259.

Pauly, L. W. (2003) "New Therapies from Contemporary Money Doctors: The Evolution of Structural Conditionality in the Bretton Woods Institutions” in M. Flandreau (eds) Money Doctors: The Experience of International Financial Advising, 1850-2000, pp. 276-305, London: Routledge.

Powell, J. 2013. “Subordinate Financialization: A Study of Mexico and Its Non-Financial Corporations.” PhD dissertation, SOAS, University of London.

Soederberg, S. (2005) “The Transnational Debt Architecture and Emerging Markets: The Politics of Paradoxes and Punishment”, Third World Quarterly, 26 (6): 927-949.

Sönmez, S. (2008) “Türkiye’de Devlet İç Borçlanmasının İslevi ve Gelisimi”, Arslan,

G. E. (ed.) *Çesitli Yönleriyle Cumhuriyetin 85. Yılında Türkiye Ekonomisi*, Ankara: Gazi Üniversitesi Hasan Ali Yücel Arastırma ve Uygulama Merkezi, 255-280.

Sönmez, Mustafa (2010): Teğet'in Yıkımı: Dünyada ve Türkiye'de Küresel Krizin 2009 Enkazı ve Gelecek. İstanbul: Yordam.

Sönmez, M (2013) "Çağresizce İnşaata Sığınıyorlar Stoklar Büyüyor", Yurt Newspaper, December 3rd <http://www.yurtgazetesi.com.tr/caresizce-insaata-siginiyorlarstoklar-buyuyor%E2%80%A6---makale,6535.html>

SPO (State Planning Organisation) (2003) Industrial Policy for Turkey, Ankara: SPO.

Stein, H. (2010) "Financial Liberalisation, Institutional Transformation and Credit Allocation in Developing Countries: The World Bank and the Internationalisation of Banking", Cambridge Journal of Economics, 34(2): 257-273.

Stockhammer, E. (2004) "Financialisation and the Slowdown of Accumulation", Cambridge Journal of Economics, 28 (5): 719-741.

Sweezy, P. (1994) "The Triumph of Financial Capital", Monthly Review, 46 (2), http://monthlyreview.org/1994/06/01/the-triumph-of-financial-capital.

Sweezy P. (1997) More (or less) on globalization. Monthly Review 49(4). Available (consulted 5 July 2016) at: http://www.monthlyreview.org/

Taymaz, E., & Voyvoda, E. (2012) "Marching to the Beat of a Late Drummer: Turkey's Experience of Neoliberal Industrialization since 1980." New Perspective on Turkey, 47: 83-113.

Taymaz, E. and Yılmaz, K. (2008) Integration with The Global Economy, The Case of Turkish Automobile and Consumer Electronics Industries, Working Paper 0801, TUSIAD-Koc University Economic Research Forum.

Turner, P. (2006) "The Banking System in Emerging Economies: How Much Progress Has Been Made?" BIS Paper no. 28.

Türel, O. (2010) “Türkiye’de 1994, 2001, 2008-9 Ekonomik Krizlerinin Karsılastırmalı Analizi”, Ekonomik Yaklasım, 21 (75): 27-75.

Van Rijckeghem, C., & Üçer, M. (2009) “The Evolution and Determinants of the Turkish Private Saving Rate: What lessons for Policy?”, ERF Research Report Series, no. 09-01.

Van Rijckeghem, C. (2010) “Determinants of Private Saving in Turkey: An Update”, Boğaziçi Department of Economic Working Papers 2010-04.

Vasudevan, R. (2009a) "Dollar Hegemony, Financialization, and the Credit Crisis", Review of Radical Political Economics, 41(3): 291-304.

Vasudevan, R. (2009b) "From the Gold Standard to the Floating Dollar Standard: An Appraisal in the Light of Marx’s Theory of Money", Review of Radical Political Economics, 41(4): 473- 491.

Wood, E. M. (2002) The Origin of Capitalism: A Longer View, London: Verso.

Wray, L., R. (2011) “Minsky’s Money Manager Capitalism and the Global Financial Crisis”, International Journal of Political Economy, vol. 40, no. 2, Summer 2011, pp. 5–20.

Yalman, G. (2004) “Responding to Crisis with or without IMF: A Comparative Analysis of State– Capital Relations”, METU Department of PSPA Working Papers, 1, April 2004.

Yeldan, E. (1994) “The Economic Structure of Power under Turkish Structural Adjustment: Prices, Growth and Accumulation”, in F. Şenses (ed). Recent Industrialisation Experience of Turkey in a Global Context, Greenwood Press.

Yeldan, E. (2005) “Assessing the Privatization Experience in Turkey: Implementation, Politics and Performance Results”, mimeo, Washington D.C.: Economic Policy Institute.

Yeldan, E. (2006) “Neoliberal Global Remedies: From Speculative-Led Growth to IMF-Led Crisis in Turkey.” In Review of Radical Political Economics, Volume 38, No.2.

Yeldan, E. (2007) “Patterns of Adjustment under the Age of Finance: The Case of Turkey as a Peripheral Agent of Neoliberal Globalization” Working Paper 126. PERI: UMASS

Yeldan, E. (2010) “Macroeconomics of Growth and Employment: The Case of Turkey”, ILO Employment Working Paper 108.

Yentürk, N. (1999) “Short Term Capital Inflows and Their Impact on Macroeconomic Structure: Turkey in the 1990s”, The Developing Economies, 37 (1): 89-113.

Yörükoğlu, M. & Atasoy, H. (2010) “The Effects of the Global Financial Crisis on the Turkish Financial Sector”, BIS Papers no. 54, pp. 387-405.

Yükseler, Z. & Türkan, E. (2006) “Türkiye’nin Üretim ve Dış Ticaret Yapısında Dönüşüm: Küresel Yönelimler ve Yansımalar”, TÜSİAD-Koç University Economic Research Forum Research Reports.

Reports and Other Web Sources

BAT (Bank Association of Turkey) (2012) “Selected Balance-Sheet Items by Banks”, Statistical Reports, http://www.tbb.org.tr/eng/Banka_ve_Sektor_Bilgileri/Tum_Raporlar.aspx

BRSA (Banking Regulation and Supervision Agency) (2001) “Towards a Sound Turkish Banking Sector”, May 2001, Ankara: BRSA

BRSA (Banking Regulation and Supervision Agency). (2009) “From Crisis to Financial Stability: Turkey Experience” BRSA Working Paper, Ankara:

BRSA (Banking Regulation and Supervision and Agency (2010): Türk Bankacılık Sektörü Genel Görünümü. http://www.bddk.org.tr/WebSitesi/turkce/Raporlar/TBSGG/8312tbs_genel_gorun

um_haziran
_2010.pdf

Banking Supervision and Regulation Agency (2012): Financial Markets Report, June 2012, Issue 26.
http://www.bddk.org.tr/websitesi/english/Reports/Financial_Markets_Report/11588financial_ markets_report_june_2012.pdf

Banking Supervision and Regulation Agency (2013): Türk Bankacılık Sektörü Genel Görünümü.
http://www.bddk.org.tr/WebSitesi/turkce/Raporlar/TBSGG/12277tbs_genel_gorunumu_hazir an_2013.pdf

Central Bank of Republic of Turkey (2006): Financial Stability Report. June 2006, Volume 2. http://www.tcmb.gov.tr/yeni/evds/yayin/finist/fulltext2.pdf

Central Bank of Republic of Turkey (2008): Financial Stability Report. May 2008, Volume 6. http://www.tcmb.gov.tr/yeni/evds/yayin/finist/fulltext6.pdf

Central Bank of Republic of Turkey (2012): Financial Stability Report. May 2012, Volume 14. http://www.tcmb.gov.tr/yeni/evds/yayin/finist/fulltext14.pdf

Central Bank of Republic of Turkey (2013): Financial Stability Report. May 2013, Volume 16. http://www.tcmb.gov.tr/yeni/evds/yayin/finist/fulltext16.pdf

Confederation of Turkish Trade Unions: Hunger Threshold and Poverty Line.
http://www.turkis.org.tr/?wapp=52521E5F-FCA5-4BDD-940D-A284DA6F151D DİSK-AR Institute (2013), https://disk.org.tr/category/diskten/disk-ar/

FESSUD STUDİES No: 11, (2013) “Comparative Perspective on Financial System in the EU: Country Report on Turkey”

FESSUD STUDİES No: 21, (2014) “Financialisation and the Financial and

Economic Crises: The Case of Turkey”,http://fessud.eu/wp-content/uploads/2012/08/FESSUD_Studies-inFinancial-Systems-Series-21_Turkey.pdf.

IMF (International Monetary Fund) (2006) Global Financial Report April 2006, Washington: IMF.

IMF (International Monetary Fund) (2011) Global Financial Report April 2011, Washington: IMF.

International Labour Organization (2010): Crisis and Turkey: Impact Analysis of Crisis Response Measures. http://ilo.org/public/english/region/eurpro/ankara/info/kriz.pdf

Investment Support and Promotion Agency of Turkey, http://www.invest.gov.tr/en-US/infocenter/publications/Documents/MANUFACTURING.INDUSTRY.pdf.

Ministry of Family and Social Policy (2011): Türkiye’de Aile Yapısı Araştırması – 2011. http://www.ailetoplum.gov.tr/upload/athgm.gov.tr/mce/2013/taya_kitap_butun.pdf

Turkish Industrialist’s and Businessmen’s Association (2009) “2010 Yılına Girerken Türkiye Ekonomisi.

Turkish Industrialist’s and Businessmen’s Association (2014) “Türkiye Sanayi Stratejisi Belgesi (2015-2018) Taslağı’na İlişkin TÜSİAD Görüş ve Değerlendirmeleri”

Undersecretariat of Treasury (2001): Strengthening the Turkish Economy: Turkey’s Transition Program. http://www.tcmb.gov.tr/yeni/announce/strengteningecon.pdf.

World Bank (2007) Global Development Finance, Washington D.C.: World Bank.

World Bank (2013) Yüksek Büyümenin Sürdürülebilirliği: Yurtiçi Tasarrufların Rolü: Türkiye Ülke Ekonomik Raporu, Ankara.

Databases

Ministry of Development, Economic and Social Indicators (1950-2010)- http://www.mod.gov.tr/en/SitePages/mod_easi.aspx

Ministry of Finance, General Directorate of Budget and Fiscal Control - http://www.bumko.gov.tr/EN,2677/statistics.html

Ministry of Labour and Social Security, http://www.csgb.gov.tr/csgbPortal/csgb.portal?page=istatistk

Organization for Economic Co-operation and Development - http://www.oecd.org/statistics/datalab/

Republic of Turkey Prime Ministry, Undersecretariat of Treasury http://www.treasury.gov.tr/default.aspx?nsw=EilDPQez15w=SgKWD+pQItw=&mid=738&cid=12&nm=684

Turkish Statistical Institute (TURKSTAT) - http://www.turkstat.gov.tr/Start.do.

APPENDICES

A. TURKISH SUMMARY/TÜRKÇE ÖZET

DEVLETİN FİNANSALLAŞMASI VE HANEHALKI BORÇLANMASI: TÜRKİYE ÖRNEĞİ

Finansallaşma kavramının farklı kullanımları ve farklı şekilde anlamlandırılması küreselleşme benzeri tartışmalarda olduğu gibi bir muğlaklığa yol açmakla birlikte; pek çok farklı boyuta aynı anda göndermede bulunulmasına olanak sağlamaktadır (Orhangazi, 2008: 3). Finansallaşma farklı ülke ve bölgelerde farklı biçimlerde deneyimlendiği için bu çalışmada finansallaşma kavramı, farklı boyutlarına göndermede bulunarak temel olarak 2 nokta üzerinde durularak analiz etmektedir. Bu noktalar kısaca, Marksist literatür ve post-Keynezyen tartışmalar üzerinden finansallaşmanın bir dönemselleştirme aracı olarak kullanılması ve hanehalkı borçlanması merkeze alınarak, finansallaşma sürecinde tarif edilen mekanizmaların yeniliğine yapılan vurgu olarak özetlenebilir. Tüm muğlaklığına karşın bugün en yaygın atıfta bulunulan finansallaşma tanımı Epstein'a aittir: "Finansallaşma, finansal güdülerin, finansal piyasaların, finansal aktörlerin ve finansal kurumların yerel ve uluslararası ekonomilerin işleyişinde artan rolü anlamına gelir (Epstein, 2005:3). Epstein'ın bu tanımı finansallaşma tartışmasında, farklı araştırmacıların kavramı anlamlandırmada öne çıkardıkları farklı boyutları bir anlamda özetler niteliktedir.

Finansallaşma tartışması üzerinden bir dönemselleştirme söz konusu olduğunda, literatürde genel olarak benzer bir tarihlendirme yapılır çünkü temel olarak Anglo-sakson ülkeleri yani erken kapitalistleşen ülkelerdeki dönüşümler üzerine odaklanarak bir finansallaşma analizi yapılır. Kapitalizmin finansallaşması çeşitli siyasal iktisadi dönüşümlere göndermede bulunarak 1970'ler sonu ile 1980'lerden itibaren başladığı belirtilmektedir. Örneğin, Monthly Review ekolü, 1970 krizi üzerine, büyük şirketlerin talep yetersizliği ve artı değerin gerçekleşmesinde yaşanan sorunlar nedeniyle ve durgunluk karşısında devletlerin uyguladıkları talebi canlandırma politikalarına, büyük şirketler diğer bir deyişle tekeller üretim ve istihdamı artırmak yerine fiyatları daha da yükselterek durgunlukla beraber enflasyon (stagflasyon) sorununa yol açması üzerinde durur (Foster, 2007). Yani, tekelci sermaye üretim yoluyla sorunları çözememekte ve finansal alan kapitalizmin kendini yeniden üretmesi için sermaye için bir zorunluluk haline gelmektedir. Diğer bir deyişle, başta ABD olmak üzere gelişmiş ülkelerdeki düşük büyüme ve yatırım oranları finansallaşmanın ortaya çıkmasının ana nedenidir. Kapitalizmin finansallaşması 1970'ler dünya krizini takip eden on yıllarda gerçekleşmiştir bu nedenle kapitalizmin finansallaşması yirminci yüzyılın sonu ile yirmi birinci yüzyılın başında denk düşmüştür. Foster'a (2007) göre, borçlanma ve finansallaşma eğiliminin günümüzde hızlanarak devam etmektedir çünkü ancak bu sayede kapitalizm içinde bulunduğu zor koşullarda kendisini yeniden üretebilecek yeni bir yol bulabilmektedir ve bu süreç finans alanında da tekelleşmeyi beraberinde getirmektedir.

Monthly Review ekolünden farklı olarak, dünya sistemleri perspektifi, günümüzde yaşanan finansallaşma sürecini, hegemonik değişim dönemlerinde ortaya çıkan döngüsel bir eğilim olarak değerlendirir. Finansallaşma bir çöküş olduğu kadar yeni bir hegemonik oluşumun da habercisi olduğu için statik bir süreç değildir. Arrighi (2009) için finansallaşma üretici güçlerin maddi genişlemesinin sınırlarına ulaşıldığında ortaya çıkar ve bir sistemik birikim döngüsünün son aşamasını oluşturur. Hegemonik güç tarafından beslenen finansal genişleme sürecine dünya piyasalarındaki rekabetin yoğunlaşması ve reel ekonomiye yatırım yapmanın giderek riskli hale gelmesi eşlik eder tam da bu yüzden sermayenin finansa yönelmesi hızlanarak devam eder. Başka bir deyişle, finansallaşma sermayenin üretim alanından uzaklaşarak gittikçe artan oranda finansal yatırımlara yönelmesi açığa çıkar. Dünya sistemleri perspektifinden 1970'lerdeki finansallaşma, ABD hegemonyasının son evresine girmesi ve bundan önceki hegemon devletlerin kaderine benzer şekilde, yeni bir hegemonik güç önderliğinde yeni bir birikim döngüsünün üretken aşamasına geçişle son bulması muhtemeldir.

Düzenleme okuluna göre, Doğu Asya ülkelerinde, Fordist birikim rejiminin krizine cevap olarak ortaya çıkan modeller uygulanabilir alternatifler olamayınca, "Fordist" birikim rejiminin krizi sonrası, "post-Fordist" dönemde finans öncülüğünde birikim, birikim rejimlerinin oluşturduğu zincirin son halkası oldu. 1980'ler itibariyle finansal işlemlerin beraberinde getirdiği kazançlar önemli ölçüde artmasıyla finansal birikim rejimi zeminini sağlamlaştırabilmiştir (Boyer, 2000). Bu rejimin yaşayabilir olup olmaması finansal birikim rejimine eşlik edecek kurumsal konfigürasyonların inşa edilip edilememesine ve kurumsallaşmasının hangi mekanizmalar üzerinden işleyeceğine bağlıdır. Daha somut ifade etmek gerekirse, Boyer'in (2000) vurguladığı gibi her birikim rejiminde olduğu gibi finans öncülüğünde birikim rejiminin devamı elde edilen artı değerin bir kısmının ekonomik büyümeye olumsuz etkilemeyecek biçimde bu artığı yaratanlara aktarılmasına ve rejimin yeni yatırım olanakları sağlayıp sağlamamasına bağlanmıştır. Finansal birikim rejiminin spekülatif karakterinden dolayı sıkı denetim altına alınsa bile sürdürülebilir olup olmadığı tartışmaya açık kalmıştır.

Özellikle, 2007-2009 krizinden sonra, finansallaşma, banka, finansal olmayan kurumlar ve bireyler arasındaki değişen ilişkiler ve roller göz önüne alınarak, bu değişen rolleri açıklamak için kullanılmaya başlandı. Özellikle Lapavitsas ve Dos Santos tarafından geliştirilen bu argüman finansallaşma sürecinde tarif edilen mekanizmaların yeniliği üzerine odaklandı. Diğer bir deyişle, finansallaşmanın kendisi açıklanması gereken bir süreç olmaktan çıkıp, hane halkı ve birey davranışındaki değişimler ve ulusal ve küresel ölçekte yatırım önceliklerinin dönüşümünü açıklayan bir unsur olmaya başladı. Lapavitsas'a (2009) göre, sermayenin karlılık kriziyle birlikte bankalar ve büyük şirketler arasındaki mesafe açılmaya başlamış bunun sonucunda karlı yatırım alanları peşindeki bankalar hane halkı gelirlerine yönelmişlerdir. Aslında bu sermaye birikim süreci açısından önemli bir dönüşüm anlamına gelmektedir çünkü bu dönüşüm bankaların geleneksel faaliyetlerinin dışına çıkmasının yanı sıra işçilerin kendi temel ihtiyaçlarını karşılamak için artan oranda borçlanması bir diğer deyişle giderek daha fazla finansal mekanizmalara ihtiyaç duyması anlamına gelmektedir. Devletin neo-liberal dönüşümüyle yeniden yapılandırılmasıyla birlikte sosyal ve ekonomik hakların erozyona uğraması, özellikle düşük gelir grubuna mensup bireylerin, sağlık ve bakım giderlerinden, eğitime, barınma ihtiyacından, emeklilik için birikime kadar birçok ihtiyacının karşılanmasında tüketici kredileri ön plana çıkmaya başlamıştır. Banka ve bireyler arasındaki ilişkideki bu dönüşüm, Lapavitsas'a göre (2009) hanehalkı gelirinin bir kısmına el konulması anlamına gelmektedir. Lapavitsas (2011), kapitalizmde artık değerin ve sömürünün üretim alanında halen devam ettiğini ancak "finansal el koyma" ismini verdiği bu dönüşümle birlikte çalışanların gelirlerinin bir kısmına el konulması sürecinin dolaşım alanında gerçekleşip bir bütün olarak ekonomi üzerinde ciddi etkiler yarattığının altını çizmektedir.

Finansal el koyma ve ikincil sömürünün dolaşım alanında gerçeklemesi argümanı, finansallaşma tartışması bakımından finansal ilişkiler sürecini resmetmekle birlikte finansallaşmanın kendisini, kapitalizmdeki sözü edilen dönüşümün nedenlerini açıklamakta yetersiz kalmaktadır. Diğer bir taraftan, artı değerin üretiminin reel sektör üzerinden devam ederken, emeğin yeniden üretimi için kullanılan kredinin faiz ödemesinin nasıl bir değer genişlemesine yol açtığı sorusu cevapsız kalmaktadır. Başka bir taraftan, kapitalizmin dönüşümü üzerinden yürütülen bir finansallaşma tartışması erken kapitalistleşmiş ülkelerdeki finansal ilişkilere ışık tutmakla birlikte, çevre ekonomileri açıklamakta yetersiz kalmaktadır. Türkiye örneği üzerinden göreceğimiz gibi devletin finansallaşma sürecindeki rolü hala devam etmektedir. Bunun yanında, finansal ve finansal olmayan kurumlar arasındaki ilişki ve finansal araçların kendisi hiç de bu ekol tarafından tarif edildiği gibi değildir. Bu yüzden bu dönüşümü kendinden menkulmüşçesine tasvir etmek sermaye ilişkilerini genel olarak ve çevre ekonomilerinin finansallaşma sürecini açıklamakta eksik kalacağını eklemek gerekir.

Finansallaşma tartışmasının odak noktası erken kapitalistleşmiş olan ABD ve İngiltere gibi merkez ülkelerdir. Ancak sermaye birikim sürecinin bir bütün olmasından dolayı finansallaşma yalnızca bu bölgelerle sınırlı kalmayıp, farklı bölgelerde farklı finansal entegrasyon yani finansallaşma süreci gerçekleşmiştir. Özellikle kapitalizmin 1970 yılında gerçekleşen yapısal krizinin etkisiyle, geç kapitalistleşen ülkelerde kendi sermaye sınıflarının çıkarları doğrultusunda diğer yandan IMF ve Dünya Bankası'nın zorlamalarıyla neoliberal yapısal düzenlemelerle birlikte finansallaşmanın beraberinde getirdiği dönüşümleri uygulamıştır. Bu geç kapitalistleşen ülkelerin finansal entegrasyon sürecinin başlangıcı olmuştur. Tabi, sermayenin gelişmişlik düzeyi, devlet- sermaye ve devlet – toplum ilişkisine bağlı olarak finansallaşma sürecinin farklılaşmasına neden olmuştur. Geç kapitalistleşen ülkelerde yaşanan farklı finansallaşmaya değinen Painceira (2009) için tüm farklılıklara rağmen gelişmekte olan ülkelerde finansallaşma, başlangıçta kamu iç borcunun artışının dış borç servisi sorununun çözülmesi için ülkelerin uluslararası finansal sisteme dahil edilmesi biçiminde gerçekleşmiştir. Bu ülkelerde sıklaşan ekonomik krizler neticesinde, gelişmekte olan ülkeler, krizlerle baş edebilmek için ve ekonomilerini finansal spekülasyonun etkisinden koruyabilmek için rezerv birikim stratejisine başvurmuşlardır. Bu ülkeler söz konusu rezervleri biriktirmek için dolar cinsinden tahvillere yatırım yapıp aslında küresel ekonominin hegemonu olan ABD'nin ihtiyacı olan likiditeyi sağlamışlardır. Aslında bu sürecin kendisi, Lapavitsas'ın (2009a) belirtiği gibi küresel sermaye temsilcisi bankaların piyasaya çok düşük faiz oranlarıyla kredi verebilmelerinin yolunu açmıştır.

Tüm bu stratejilere karşın,2007'de patlak veren kriz, başta merkez ekonomileri sarsmış. 2011 yılına gelindiğinde krizin etkisi Avrupa Birliği ülkelerine kadar yayılmış. Bu ülkelerdeki daralma, dış talebi frenleyerek ve finans kapitalin çevre ekonomilerinden çıkışı da krizi Güney ülkelerine taşımış oldu. Türkiye'de bu krizden nasibini aldı çünkü ekonomi, 2003-2007 konjonktüründe, dış kaynak girişinden yararlanarak ve cari açık vererek büyümeyi gerçekleşmiştir. Aslında, bu yıllardaki ekonomik başarının kırılganlığını ve canlanan uluslararası sermaye hareketlerine bağımlı oluşunun en açık ifadesidir. Fakat, astronomik dış kaynak girişleri bile bu yıllarda bir ekonomik mucize yaratmayı başaramamıştır. 2002-2012 yılları arasında, dış kaynak girişleri sermaye birikim oranını artıracak yönde kullanılmamıştır. Milli gelirin yatırımlara ayrılan paylarına baktığımızda bu oran değişen yıllara karşın %20 oranında kalmıştır (Ergüneş, 2009). Bu milli gelirin %7-8'i civarında seyreden dış kaynak girişlerinin bankalar aracılığıyla iç pazarı canlandırmak amacıyla tüketimi teşvik etmek için kullanılmıştır. Sonuç olarak, belirtilen dönemde devletin kamusal alandan geri çekilmesine karşın, özel ve kamusal tüketim gün geçtikçe artmıştır. Dış kaynak girişleri sermaye birikimi ve büyüme üzerinde olumlu bir katkı meydana getirmemiş, yabancı sermaye düşük yurt içi tasarrufları ikame ederek tüketimi pompalamak için kullanılmıştır. AKP iktidarıyla geçen 10 yıl, tüketim yoluyla canlandırılmaya çalışılan kırılgan bir ekonomi ve artan dış bağımlılık ile sonuçlanmıştır.

Türkiye ekonomisinin 2001 sonrası dönemde artan dış bağımlılığı ve dış borç sorunları, Türkiye'nin finans kapitale teslimiyetiyle sonuçlandı. Serbest döviz kurları politikasıyla birlikte yüksek tempolu sıcak sermaye girişleri, Türkiye ekonomisini bir sıcak para cennetine dönüştürdü. Bu süreçten, dolarını TL getirisi sağlayan kağıtlara bağlayan yabancı sermaye ve rantiyeler, çıkış yaptıklarında yüksek getiri elde ettiler.

Yani, finans kapital sıcak para kazançlarının bir bölümünü dışarıya aktarmak zorunda kaldı. Buna, Türkiye'de çok gelişkin olmasa bile, doğrudan yabancı sermaye yatırımları eklendiğinde, artık değerin yabancı şirketlerin kar transferleri ve dış borç faiz ödemeleriyle birlikte ülke dışına aktarılan payı önemli bir boyuta ulaşmış oldu. Ama bu süreçten, sadece yabancı sermaye kazançlı çıkmamıştır, dışarıdan borçlanarak TL kredisi veren bankalar ayrıca doğrudan dövizle borçlanıp kredi maliyetlerini düşürmüş ve imalat için gerekli olan dövizi, düşük faiz oranlarıyla elde edebilmiştir. Tüm bu gelişmeler neticesinde, Türkiye ekonomisinin kırılganlığı ve dış borç krizleri riski bir yandan devlet borçlanması diğer yandan özel sektör borçlanması ile birlikte artmıştır. Bu dönemde şirketlerin uzun ve kısa vadeli döviz borçlarındaki artış dikkat çekilmesi gereken en önemli noktalardan biridir çünkü kredi faizleri ve döviz fiyatlarının artması durumunda, yüksek döviz kazancı olmayan veya döviz getirisi olmayan şirketler için kriz çanları çalmaya başlayacaktır. Batık krediler dolayısıyla bu risk finansal kuruluşları yani bankaları da etkisi altına alacaktır. Tüm bu nedenler dolayısıyla, Fed'in likidite genişlemesinden parasal daralma sürecine girmesiyle, Türkiye açısından riskler yoğunlaşacaktır.

2002-2012 yılları arasında Türkiye ekonomisi, artan cari açığın yanı sıra, küresel sisteme entegre fakat ithalata bağımlı üretim, büyüyen kamu ve özel borçlar, güvencesiz çalışma, artan işsizlik ve borçlu bireyler yaratmanın ötesine geçememiştir. Bu son nokta çok önemlidir çünkü Güçlü Ekonomiye Geçiş Programı ile birlikte, Türkiye ekonomisi büyümeye devam ederken istihdam yaratamamıştır. 1980 sonrası izlenen neoliberal politikalarla devletin iş kapısı olmaktan çıkartılmasının etkisiyle birlikte, özelleştirmelerin, piyasalaşmanın ve özel sektör öncülüğünde Türkiye'deki büyüme "işsizlikle büyüme" olarak adlandırılmaktadır (Yeldan, 2010). Mali disiplin ve büyüme hedefine bağlı olarak yaşanan işsizlikle büyüme süreci ücretler üzerindeki baskı, gelir dağılımı ve toplumsal refah açısından olumsuz sonuçlar doğurmuştur.

Küresel kapitalizm dünyasında, dış kaynağa bağımlı büyüme, Türkiye gibi merkez ülkelere dayanıklı-dayanıksız tüketim malı ihraç etme işlevini üstlenmiş ülkeler birbirleriyle emeğin bastırılması yani ucuz emek ve en az istihdam üzerinden rekabet etmeye başlamıştır. 2010 yılında yayımlanan Küresel İstidam Eğilimleri raporunda, Türkiye'nin büyüme ile birlikte gerekli istihdam artışını sağlayamadığını ve bu yüzden işsizlik oranının %10'un üzerinde seyrettiğinin altını çiziyordu. Rekabeti artırmak için başvurulan diğer bir stratejide, devlet eliyle yasal düzenlemeler yoluyla emek piyasasında esnekliği ve güvencesizliği artırmak olmuştur. Yeni çalışma düzenlemeleri bir yandan düşük ücretli ve güvencesiz istihdamın ve işsizliğin artmasına yol açarak, diğer yandan ücretli çalışanların borçlanmayla ilgili sorunlara karşı kırılganlıklarını arttırmada önemli rol oynamıştır. Karaçimen'in de (2013) saha çalışmasının sonuçlarına dayanarak gösterdiği gibi ücretli çalışanlar üzerindeki borcu geri ödeme baskısı bu tarz güvencesiz ve ağır işlerde düşük ücretle çalışmanın yaygınlaşmasının yolunu açmıştır.

2001 sonrası dönemde, emek piyasalarındaki bu dönüşümde üretimin değişen dinamikleri ve tarım istihdamında düşüş önemli rol oynamıştır. Yukarıda da kısaca değinildiği gibi, üretimdeki dönüşüm ithalata bağımlı, montaj ağırlıklı, katma değer ve istihdam yaratmada oldukça sınırlı kaldı. Diğer yandan düşen tarım istihdamı, diğer sektörlerdeki artışlarla telafi edilmekten uzak kalmıştır (Özdemir& Yücesan-Özdemir, 2004). AKP'nin 10 yıllık dönemi altında, ihracata öncülüğündeki üretim modeli içinde öne çıkarılan emek piyasalarının esnekleştirilmesi, emek ve sermaye arasındaki çelişkilerin derinleşmesiyle sonuçlanmıştır. Kısaca, Türkiye'nin dünya ekonomisiyle artarak bütünleşme süreci emek için enformelleşme, güvencesiz istihdam ve işçilerin haklarının kısıtlanmasını beraberinde getirmiştir. Tüm bu dönüşümlerde devletin rolünün altının kalınca çizilmesi gerekir çünkü devlet emek piyasalarındaki güvencesizliği ve esnekleşmeyi, 2003 yılında çıkarılan yasalarla güvence altına almıştır. Bu yasayla birlikte, güvencesiz çalışmanın önü açılmakla kalmayıp, taşerona bağlı çalışma gibi yeni iş tanımları uygulamaya konulmuştur (Özdemir& Yücesan-Özdemir, 2006).

Devlet ve sermaye el ele emek üzerindeki baskıyı daha da arttırmışlardır. Ama gelinen nokta göstermiştir ki, Asyalaşma modeli, yani ucuz emeğe yaslanarak küresel ekonomide rekabeti arttırma modeli, AB'nin tedarikçi tüketim malı sanayicisi olma dışında, düşük kar oranları için emeğin istismarından başka hiçbir şey yaratamamaktadır (Sönmez, 2010: 89). Tüm bu gelişmelerde dünyada sermaye lehine esen rüzgâr kadar, Türkiye özelinde 12 Eylül askeri diktatörlüğünün işçi sınıfının örgütlü gücünü yani sendikal hareketi şiddeti bir şekilde bastırması da etkili olmuştur. Emeğin örgütlenmesine getirilen kısıtlamalar, grev, toplu sözleşme haklarının yok sayılması emeğin enformalleşme sürecini hızlandırmıştır.

Diğer bir taraftan, neoliberal politikalarla devlet ve vatandaş arasındaki ilişkileri ciddi ölçüde dönüştürüldü. Sağlık, eğitim, konut ve emeklilik başta olmak üzere Türkiye'de sosyal politikalardaki dönüşümle beraber yaşanan refah kayıpları, ücretli çalışanların, emek piyasalarındaki dönüşümün yanında geçimlerini zorlaştıran en önemli etkendir. Kamu hizmetlerinin piyasalaşması sonucunda ücretli çalışanlar için sağlığın ve sosyal güvenliğin maliyeti, reel ücretlerin zaten durağan olduğu dönemde baş edilmesi gereken bir yük haline geldi. Bu süreçte, dışa açılmak, rekabet gücünü arttırmak için devletin bütçe üzerinden emeğe aktardıklarını kesip, sermayeyi güçlendirmesi gerekiyordu! AKP döneminde neoliberal dünya görüşüne uygun olarak, sosyal ve ekonomik haklar inanılmaz ölçüde daraldı. Sosyal devlet adına 2008 yılında yapılan harcamalar alt alta dizilip bakıldığında bu harcamaların toplamı 9 milyar TL'den yani Türkiye'de yaratılan milli gelirin yüzde 1'inin altında kaldı (Sönmez, 2010).

AKP hükümetinin ilk 10 yılı boyunca, devletin sosyal harcamalarının sınırlanması, güvencesiz çalışma ve düşük ücretlerle sermaye karşısında zayıflatılan emeğin; özellikle sağlık, eğitim, konut politikalarında artan özelleştirmeler ile birlikte tüketici kredilerinin emek kesimlerini kapsayacak şekilde yaygınlaşması ve borçluluk oranının artması ile sonuçlanmıştır. Neoliberal dönemde tüketimin kapitalizmin tarihinde olmadığı kadar öne çıkarılması aslında ücretli sınıfların borçlandırılması ve tüketici kredilerin alt sınıfları kapsayacak şekilde yaygınlaştırılması süreciyle yakından ilişkilidir. Türkiye'de bankaların bireylere yönelmesini anlayabilmek için yukarıda altını çizdiğim yani neoliberal dönemde emek gücünün yeniden üretiminin giderek piyasalaşması, bu süreçteki devletin rolündeki değişim ve tarımın tasfiyesiyle birlikte emekçilerin tüketim kalıplarının nasıl dönüştüğünü incelemek gerekir. Şunu da belirtmek gerekir ki, bu süreç Türkiye'ye özgü değildir, hatta Türkiye'de yaşanan emeğin finansallaşması merkez ülkelere nazaran geri planda kalmaktadır fakat 2002 ve 2012 yılları arasındaki artış azımsanamayacak kadar önemlidir. Türkiye'de 2000'li yıllara kadar borçlanma daha çok enformel yollar üzerinden gerçekleşirken, incelenen 10 yıllık dönemde tüketici kredisi yaygınlaşarak, ücretli çalışanların borçlanması emeğin yeniden üretimi sürecinin ayrılmaz bir parçası haline gelmiştir.

Son otuz yıllık dönemde, neoliberal politikalar güdümünde, sermayenin bitmek bilmez ihtiyaçlarının karşılanması için merkez ve çevre ülkeleri içine alacak biçimde emek piyasalarında ücretli çalışanlar aleyhine gelişmeler yaşanmıştır. Erken kapitalist ülkelerde de emek piyasalarında artan belirsizlikler, kamu hizmetlerinin özelleşmesi gibi etmenler, ücretli çalışanların borçlanma ihtiyaçlarının artmasında önemli rol oynamıştır. Bu şartlar altında, finansallaşma çağında yaygınlaşan tüketici kredilerinin, merkez ülkelerde dahi bankalar ve ücretli çalışanlar arasındaki ilişkinin eşitsiz doğası açıkça ortadadır çünkü üretim sürecindeki sömürüye ek olarak, finansal kurumlar, emekçilerin gelecekte elde edecekleri gelirlerini ipotek altına almaktadırlar. Borçlanma giderek bireysel ihtiyaçları karşılamanın önemli bir aracı haline gelirken, emeğin sermayeye olan bağımlılığının artmasının yanı sıra sermayenin emek üzerindeki denetimini arttırmasının önemli aracı haline gelmiştir. Karaçimen'in (2013) belirttiği gibi borçlanma diğer yandan emek piyasalarındaki enformalleşmeye ve düşük ücretlerin ikamesi olarak da önemli bir işlev görmektedir. Şunun da altını çizmek gerekir ki, erken kapitalistleşmiş ülkelerde, emeğin finansallaşması sadece borçlanma yoluyla gerçekleşmemiştir. Ücretli çalışanların finansal varlıklarında da önemli artışlar yaşanmıştır fakat 2007-2008 krizinin de gösterdiği gibi merkez ülkelerde de ücretli çalışanların bütçelerindeki açıklar, finansal varlıklarının çok üzerindedir.

Tekrar Türkiye'ye dönecek olursak, 2002- 2012 yılları arasında Türkiye'de dünyadaki trende paralel olarak hane halkı borçlanmasında önemli bir artış yaşanmış. Kredinin yaygınlaşmasıyla birlikte bireyler gelirlerinin önemli kısmını faiz ödemesi olarak bankalara aktarmak zorunda kalmışlardır. Artan işsizlik, reel ücretlerin durağanlaşması ve güvencesiz çalışma koşulları altında kredinin bir ücret ikamesi olarak kullanılması giderek yaygınlaşmıştır. Türkiye'de özellikle 2006 yılına kadar kredi kartı faizlerinin çok yüksek olmasından kaynaklı, faiz ödemelerinin hanehalkı kullanılabilir gelirine oranı hızla artmıştır (BRSA, 2009). 2006 yılında çıkartılan kanunla faiz oranında bir düşme yaşansa bile, artan borçlanma dolayısıyla borcun kullanılabilir gelire oranında bir düşüş yaşanmamıştır.

Tüm bu gelişmeler, Türkiye ekonomisinin dünya ekonomisiyle derinleşen bütünleşmesi sürecinde bankaların sermaye birikim dinamiklerindeki dönüşümle birlikte ele alınmalıdır. 2001 sonrası dönem sonrası, Türkiye'nin uluslararası finans piyasalarıyla bütünleşmesi çerçevesinde, 1990'lı yıllar boyunca karların önemli bir bölümünü yüksek getirili, risksiz devlet iç borçlanma senetlerinden sağlayan bankalar, sıkı para ve maliye politikalarının etkisiyle karlarının artık bu yolla elde edilmesi belli bir süre boyunca baskılanmıştır (Ergüneş, 2010). Uluslararası piyasalardan borçlanmanın kolaylaştığı bu koşullar altında bankalar giderek alternatif bir kar kaynağı olarak tüketici kredilerine yönelmişlerdir Bankaların varlık kompozisyonu incelendiğinde belirtilen dönemde tüketici kredilerinin diğer kredilere oranla payının artığı görülecektir. Türkiye'de yabancı bankaların yaygınlaşması ve yurt dışından borçlanma olanağı bu artışı beslemiştir. Diğer yandan, 2001 krizi sonrası uygulanan bankacılık sektörü reformları ve devletin bankaları aktardıkları paralarla birlikte, bankaların ellerini güçlendirip, kar maksimizasyonu yarışında hızla yol almışlardır. Hane halklarının değişen koşullarına ve artan borçlanma ihtiyacına paralel olarak, Türkiye'de bankalar tüketici kredileri vererek ve daha önce verdikleri bireysel hizmetleri çeşitlendirerek gelirlerini artırmaya çalışmışlardır.

Daha önce de belirttiğim gibi, emek piyasalarındaki dönüşüme ek olarak sosyal hak kayıpları karşısında, emekçiler geçimlerini devam ettirebilmek için tüketici kredilerine giderek daha fazla ihtiyaç duymuşlardır. Peki hangi toplumsal kesimler tüketici kredisine başvurmaktadır? Tüketici kredilerinin gelir gruplarına göre dağılımını incelediğimizde, toplam tüketici kredisi kullanıcılarının üçte ikilik kesiminin aylık 2000 TL'nin altında kazananlardan oluştuğunu ve tüketici kredisi kullananların mesleklerine göre dağılımına bakıldığında gelir grubu analizine uygun olarak bu oranın ücretli çalışanlar açısından yüksek olduğu görülmektedir (Bahçe,2013). Burada diğer önemli bir soru da ücretli çalışanların bu kredileri ne amaçla hangi yönde kullandıklarıyla ilgili olmalıdır. Türkiye bankalar birliğinin kredilerin farklı kullanım türlerine göre dağılımına ilişkin verileri incelendiğinde görülecektir ki, toplam tüketici kredileri içinde gündelik hayatı idame ettirmek için, eğitim, sağlık, tüketim ihtiyaçlarının karşılanması için kullanılan ihtiyaç kredileri önemli bir yer tutmaktadır. İhtiyaç kredileri diğer yandan kredi kartı borçlarını kapatmak için kullanılmaktadır

Borcun borçla çevrilmesi ücretli çalışanları bir kısır döngü içine yerleşmesine neden olmaktadır. Sönmez'e (2010) göre 2010 yılına gelindiğinde borcunu ödeyememiş ve kara listeye alınmış aile sayısının 2 milyonu aşmıştır. Buna ek olarak, 2002 yılından sonra batık tüketici kredisi ve kredi kartı borçları 78 kattan fazla artarak 8 milyar 264 milyon liraya ulaşmıştır. Özetle, Türkiye'de AKP iktidarı altında 2000'ler boyunca yoğunlaşan neoliberal dönüşüm süreci, emekçilerin borçlanma ihtiyaçlarını ve borçlanmayla ilgili sorunlarını artırmada önemli rol oynamaktadır. Emek piyasası cephesinde yaşanan tüm bu olumsuz gelişmeler, bir yandan kredinin ücret ikamesi olarak kullanılmasına yol açarken diğer yandan enformel, güvencesiz çalışma koşulları altında emek gücünün realizasyonu giderek belirsiz hale getirilerek çalışanların kredi geri ödemelerinin yapılmasını da güçleştirmiştir.

Tüketici kredilerinin ve borçlanmanın giderek yaygınlaştığı Türkiye'de emekçilerin finansal sisteme içerilmesi süreci erken kapitalistleşmiş ülkelerden farklı olarak borçlanma üzerinden gerçekleşmiştir. 2002-2012 yılları arasında Türkiye'de hanehalkı finansal varlıklarının bileşiminde daha önceki yıllara göre bir değişim yaşanmamıştır. 2003 yılında özel emeklilik sistemi devreye sokulmasına rağmen, hane halkı finansal varlıkları içerisindeki oranında bir değişim görülmemektedir (CBRT, 2013). Daha açık olmak gerekirse, Türkiye'de hane halklarının varlıklarının çoğunu mevduatta tutmaya devam etmişlerdir. Oysa pek çok ülkede finansallaşma birlikte mevduatların finansal varlıklar içindeki oranı ciddi oranda azalmıştır. Bu nedenle, Türkiye'deki bu süreç dikkat çekicidir.

Bu tez, gelişmekte olan ülkelerin finansallaşma sürecini, Türkiye örneği üzerinden, devletin finansallaşması ve hanehalkı borçlanması üzerinden analiz ediyor. Bunu yaparken, devlet, sermaye ve üretim ilişkilerinin dönüşüm süreçlerine odaklanarak, Türkiye'de finansallaşma çağında, tüketici kredisinin ücretli çalışanların finansal içerilmesi ve borcun emekçilerin günlük yaşantısının bir parçası haline gelmesi sorusu üzerinde duruyor. Eleştirel ekonomi politik yaklaşımına dayanan teorik çerçeve üzerinden günümüz kapitalizminde hanehalkı borçluluğunun doğası ve rolü ile sermaye birikiminin gerçekleştiği makroekonomik, politik ve tarihsel faktörlerin ilişkisinin altını çiziyor. Çalışmanın iki önemli bulgusundan ilki, ücretli çalışanların finansallaşma sürecinin borçlanma yoluyla gerçekleştiği ve bu borcun emek gücünün yeniden üretimi için yapılıyor olması ve merkez ülkelerden farklı olarak, hanehalklarının finansal varlıklarının bileşiminde daha önceki yıllara göre bir değişim yaşanmamış olması. Diğer bir deyişle, finansal içerilme süreci hanehalkları için bir zenginlik getirmemiştir. İkinci sonuç ise finansallaşmaya Türkiye üzerinden baktığımızda, devletin dünya ekonomisiyle bütünleşmenin yanı sıra kapitalist birikim sürecinde hala önemli bir aktör olduğu ile ilişkilidir.

B. TEZ FOTOKOPİSİ İZİN FORMU

ENSTİTÜ

Fen Bilimleri Enstitüsü

Sosyal Bilimler Enstitüsü

Uygulamalı Matematik Enstitüsü

Enformatik Enstitüsü

Deniz Bilimleri Enstitüsü

YAZARIN

Soyadı : Sema
Adı : Gizem
Bölümü : Siyaset Bilimi ve Kamu Yönetimi

TEZİN ADI (İngilizce) : Financialization of State and Household Indebtedness

TEZİN TÜRÜ : Yüksek Lisans Doktora

1. Tezimin tamamından kaynak gösterilmek şartıyla fotokopi alınabilir.

2. Tezimin içindekiler sayfası, özet, indeks sayfalarından ve/veya bir bölümünden kaynak gösterilmek şartıyla fotokopi alınabilir.

3. Tezimden bir (1) yıl süreyle fotokopi alınamaz.

TEZİN KÜTÜPHANEYE TESLİM TARİHİ: